

# Investment Companies Roundup

June 2016

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## Winners and losers in May

A couple of themes show up in the list of best performing investment companies in May. There seems to have been a small rally in the biotech/healthcare sector during the month which has benefitted funds such as British & American, Biotech Growth and International Biotechnology. Technology stocks also did well in May benefitting Polar and Allianz's technology funds. Baker Steel Resources bucked the trend in the resources sector as its discount narrowed.

Generally, there seems to have been some unwinding of the recovery in resources valuations during May. We also saw a reversal of the rally in Latin America as investors recognise that it will take time to address Brazil's problems even with a change in government. Candover said it would pay down debt rather than making a distribution to shareholders. US Traded Life has been hit by a spike in insurance premiums. Leaf Clean Energy updated on its dispute with Invenergy.

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

	(%)
Baker Steel Resources	+27.8
British & American	+19.4
Baillie Gifford Shin Nippon	+13.2
Livermore Investments	+11.1
El Oro	+11.1
Phaunos Timber	+10.2
Electra	+9.2
Africa Opportunity	+7.4
Acorn Income Fund	+7.1
Aberforth Geared Income	+7.0

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

	(%)
Candover	-20.0
Alternative Assets (US Traded Life)	-17.8
Leaf Clean Energy	-17.3
Geiger Counter	-17.2
Golden Prospect Precious Metals	-15.5
FastForward Innovations	-15.1
Nimrod Sea Assets	-13.4
Polo Resources	-12.1
BlackRock World Mining	-10.0
JPMorgan Global Emerging Income	-8.4

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

	(%)
International Biotechnology	+7.5
Carador Income Fund	+6.6
British & American	+6.5
Allianz Technology	+6.4
Biotech Growth	+6.2
Vietnam Holding	+6.0
Standard Life UK Smaller	+5.9
Polar Capital Technology	+5.8
Independent	+5.8
JPMorgan Mid Cap	+5.7

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

	(%)
Geiger Counter	-12.6
BlackRock World Mining	-11.2
Golden Prospect Precious Metals	-9.1
BlackRock Latin American	-8.9
City Natural Resources	-8.6
JPMorgan Brazil	-8.4
Aberdeen Latin American Income	-7.8
BlackRock Commodities Income	-7.6
Aseana Properties	-6.0
Premier Energy & Water	-4.8

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

British & American's NAV and share price remain volatile – linked to the fortunes of its largest investment, Geron. Baker Steel's discount narrowed in a belated response to the rally in resources stocks – which has now petered out. There is little to account for a narrowing of Africa Opportunity's discount except maybe a comment in its annual report that it might consider buying back shares. Baillie Gifford Shin Nippon moved back to trade at a premium (as it has over most of the past three years). Electra did well on the back of good results.

### Cheaper relative to NAV (notable changes)

FastForward Innovations' premium moderated a little but is still high relative to most investment companies. US Traded Life and Leaf Clean Energy's discounts widened as questions arose over their NAVs (see above). Candover's discount moved in response to a trading statement and news that it would not make a distribution to shareholders. Carador now trades on a narrower premium following a decent NAV uplift in May.

	% discount (-ve) or premium (+ve)	
	31 May (%)	30 Apr (%)
British & American	+64.2	+40.0
Baker Steel Resources	-36.7	-52.2
Africa Opportunity	-16.8	-24.7
Baillie Gifford Shin Nippon	+2.7	-5.3
Electra	-12.1	-19.6

	% discount (-ve) or premium (+ve)	
	31 May (%)	30 Apr (%)
FastForward Innovations	+105.7	+139.4
Alternative Assets (US Trd. Life)	-25.0	-8.2
Leaf Clean Energy	-47.2	-35.7
Candover	-42.6	-31.2
Carador Income Fund	+1.9	+8.3

# Money raised and returned in May

## Money raised in May

There were no new issues in May. The largest capital raise was undertaken by Greencoat UK Wind which raised £100m from investors. Target Healthcare REIT, which was looking for £75m, raised £84m and GCP Student Living, which was looking for £50m, raised £60m. Honeycomb raised £50m. Renewable Infrastructure Group got £30m from its placing and offer for subscription. Custodian REIT raised £21m. Fidelity Japanese Values expanded by £19.5m as its subscription shares were exercised. Finsbury Growth & Income issued shares worth £13m during May. Taliesin Property issued shares worth £10m to its managers in settlement of a performance fee.

## Money returned in May

We said goodbye to Schroder Global Real Estate in May as shareholders swapped their investment in the company for their choice of cash or units in two open-ended funds. Last month Witan agreed to buy back Aviva's stake in the company at a 6.5% discount. In the event Witan bought back £105m worth of shares while shares worth £126.5m were placed with other investors. CVC Credit Opportunities shrank by £10m after a tender offer. NB Global Floating Rate Income bought back shares worth £10m, Templeton Emerging £9.4m, Mercantile £8.9m, Alliance Trust £7.5m and VinaCapital Vietnam Opportunity £5.2m during May.

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

## Portfolio Developments

**John Laing Infrastructure** invested in Oldham Social Housing, a portfolio of highway service areas and Barcelona Metro  
**Chenavari Capital Solutions** made a new primary investment  
**UK Mortgages** completed its first securitisation  
**Alternative Asset Opportunities** was affected by rising insurance costs  
**Amedeo Air Four Plus** said it might lease Boeing 777-300s  
**VinaCapital Vietnam Opportunities** and VinaLand sold DaNang Golf and Century 21 stakes  
**Starwood European Debt Finance** lent against a UK property portfolio  
**John Laing Environmental** bought a wind farm in France  
**Hg Capital** invested in STP  
**Symphony International** bought Christian Liaigre  
**Electra** sold Kalle  
**Leaf Clean Energy** published an update on its dispute with Invenergy  
**Caledonia** sold Bowers & Wilkins

## Property News

**Empiric Student Property** invested in Leicester, Falmouth and Exeter  
**AEW UK REIT** bought properties in Nottingham and Blackpool  
**Target Healthcare REIT** bought care homes in Halifax, Southport and Northern Ireland  
**Custodian REIT** bought a distribution unit in Tamworth and sold a student accommodation block in Nottingham  
**Tritax Big Box REIT** invested in Newark  
**Standard Life Investments Property Income** sold a building in Stockport  
**Schroder Real Estate** sold four non-core assets  
**Macau Property** got approval for its Senado Square Project  
**Real Estate Investors** bought properties in Telford and Nottingham  
**LondonMetric Property** sold three retail parks  
**Kennedy Wilson Europe** bought property in Dublin and Manchester

## Corporate News

**Ottoman Fund** asked for its shares to be suspended  
**Altin** said it would delist in London  
**RIT Capital Partners** approached Alliance Trust with the idea of a merger  
**Ecofin Power & Water Opportunities** published reconstruction proposals  
**Blue Capital Global Re** secured a new credit facility  
**Raven Russia** issued £105m of preference shares  
**Murray International** got a new £15m loan facility  
**SEGRO** secured £780m bank facilities  
Shareholders rejected LIM Asia's proposals for **Atlantis Japan**  
**Electra** said it would not issue new ZDPs



*Symphony bought Christian Liaigre*

## Managers & Fees

**Electra** gave its manager notice to terminate its contract  
**Lowland** changed the way its performance fee is calculated  
**Invesco Perpetual Select** cut the fee on its managed cash pool  
**JPMorgan Asian** appointed a new co-manager  
**Invesco Perpetual Enhanced Income** promoted Rhys Davies to co-manager  
**Securities Trust of Scotland** got a new manager  
**Baring Emerging Europe** scrapped its performance fee

## Latest Research



*Henderson International Income  
– yield, performance and liquidity*



**Strategic Equity Capital**

*Strategic Equity Capital  
- Cashing up!*

## Standard Life European Private Equity Trust PLC

*Standard Life European  
Private Equity – Sitting  
in a sweet spot*



*Seneca Income Growth – On track for a  
zero discount policy*



*Fidelity – Closed end funds review*

## Income

### Investment Companies announcing their full year dividends in May

Fund	Year ended	Dividend	Change over year	Revenue / earnings	Cover
Shires Income	31/03/16	12.25	unchanged	12.06	0.98x
Edinburgh Investment Trust	31/03/16	24.35	+2.1%	26.70	1.10x
JPMorgan European Smaller Co.s	31/03/16	3.2	unchanged	3.58	1.12x
TR Property	31/03/16	8.35	+8.4%	8.36	1.00x
Great Portland Estates	31/03/16	9.2	+2.0%	13.50	1.47x
NewRiver Retail	31/03/16	18.5	+9.0%	26.6	1.44x
Martin Currie Asia Unconstrained	31/03/16	7.75	+3.3%	6.68	0.86x
McKay Securities	31/03/16	8.8	+1.1%	7.76	0.88x
Big Yellow	31/03/16	24.9	15.0%	31.1	1.25x
Investors Capital	31/03/16	4.6	+2.7%	3.95	0.86x

Fund	Year ended	Dividend	Change over year	Revenue / earnings	Cover
Caledonia	31/03/16	52.6	+4.0%	60.8	1.16x
HICL Infrastructure	31/03/16	7.45 <sup>a</sup>	+2.1%	11.9 <sup>b</sup>	1.60x
Assura	31/03/16	2.05	+10.8%	2.0	0.98x
Land Securities	31/03/16	35.0	+9.9%	45.7	1.31x
British Land	31/03/16	28.36 <sup>c</sup>	+2.5%	30.6	1.08x
Scottish Mortgage	31/03/16	2.96 <sup>d</sup>	+1.0%	1.66	0.56x
JPMorgan Income & Capital	29/02/16	7.4 <sup>e,f</sup>	+12.5%	9.0	1.22x
JZ Capital Partners	29/02/16	33 cents	+4.8%	12.61	0.38x <sup>g</sup>

- a) The Directors have increased the dividend target for the current financial year to March 2017 to 7.65p per share. This represents a 2.7% growth in the aggregate dividend compared to the year ended 31 March 2016. In addition, the Board looks to the future with confidence and has, as a result, also approved guidance of 7.85p per share for the year ending 31 March 2018.
- b) The company does not separate its revenue and capital profit and loss, this figure represents the combined amount.
- c) Full year dividend of 29.20 pence per share proposed for 2016/17
- d) "we are unlikely to have sufficient income and revenue reserves to continue to pay a comparable dividend over the coming years from these two sources [*revenue and revenue reserves*] alone. The Company is, however, permitted to make distributions from capital profits. The Board will be willing to do this in order to continue to grow our dividend payments so long as it believes that the total returns being earned by the Company over the long run justify this."
- e) Includes two 0.25p special dividends
- f) The Board anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to maintain the level of quarterly dividend, during the current financial year ending 28th February 2017, at 1.80p per Ordinary share (making a total, before any special dividends, of 7.20p per Ordinary share).
- g) JZ Capital pays 3% of its NAV as a dividend

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