

Investment Companies Roundup

July 2016

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Winners and losers in June

The stand out winner over the month is Golden Prospect. The uncertainty created by Brexit has triggered a sharp rise in the gold price. The weakness in the pound has boosted many funds with overseas exposure and this includes most of the funds on this side of the table. Vietnam Infrastructure has been selling off many of its investments. UIL successfully issued a new zero with a maturity in 2022.

Funds focused primarily on UK investments, particularly mid and small cap stocks and property, have been hit hard by the result of the referendum. Strategic Equity Capital was hit by a profit warning from its largest holding, Servelec. Woodford Patient Capital's largest holding, Circassia, fell after announcing its cat allergy drug wasn't effective. Oakley Capital benefited from the flotation of Time Out but its price fell subsequently. Independent had a large exposure to UK housebuilders.

Best performing funds in price terms in June:

| | (%) |
|---------------------------------|-------|
| Golden Prospect Precious Metals | +41.9 |
| Vietnam Infrastructure | +22.3 |
| BlackRock World Mining | +19.8 |
| Aberdeen Latin American Income | +19.6 |
| JPMorgan Brazil | +18.0 |
| EPE Special Opportunities | +17.9 |
| UIL | +17.4 |
| Templeton Emerging Markets | +15.2 |
| Edinburgh Dragon | +13.9 |
| Aberdeen New Thai | +13.9 |

Worst performing funds in price terms in June:

| | (%) |
|-----------------------------|-------|
| Candover | -22.0 |
| JPMorgan MidCap | -18.8 |
| Strategic Equity Capital | -17.0 |
| Aberforth Smaller Companies | -15.3 |
| Schroder Real Estate | -14.8 |
| Woodford Patient Capital | -13.4 |
| UK Commercial Property | -13.4 |
| Aberforth Geared Income | -13.3 |
| Mercantile | -13.2 |
| Oakley Capital | -13.1 |

Best performing funds in NAV terms in June:

| | (%) |
|---------------------------------|-------|
| Golden Prospect Precious Metals | +32.6 |
| JPMorgan Brazil | +25.9 |
| UIL | +24.4 |
| Aberdeen Latin American Income | +22.7 |
| BlackRock World Mining | +22.0 |
| Premier Energy & Water | +21.6 |
| BlackRock Latin American | +20.1 |
| Vietnam Holding | +20.1 |
| BlackRock Commodities Income | +17.0 |
| Murray International | +16.3 |

Worst performing funds in NAV terms in June:

| | (%) |
|------------------------------|-------|
| Independent | -16.6 |
| JPMorgan Mid Cap | -13.0 |
| Aberforth Geared Income | -13.0 |
| Jupiter UK Growth | -12.3 |
| Mercantile | -11.9 |
| JPMorgan Smaller Companies | -11.7 |
| Acorn Income Fund | -11.2 |
| Small Companies Dividend | -10.9 |
| Invesco Perpetual UK Smaller | -10.0 |
| Aurora | -9.9 |

More expensive relative to NAV (notable changes)

In the turmoil post the vote, many fund's share prices failed to reflect the move in their NAVs. Liquidity also dried up, making share prices more volatile. Independent's managing director has been selling shares in the company for some months, its premium may not persist for long. Greencoat bought a new wind farm recently and said it saw no impact from Brexit.

Cheaper relative to NAV (notable changes)

Candover has just four investments left, two of which, Parques Reunidos and Technogym, have recently floated – these account for most of the asset value. It said though that it would repay bank debt at this stage rather than make distributions to shareholders. Adamas says it is struggling to implement its planned portfolio restructuring.

| | % discount (-ve) or premium (+ve) | |
|---------------------------|-----------------------------------|------------|
| | 30 Jun (%) | 31 May (%) |
| EPE Special Opportunities | -2.1 | -17.0 |
| Independent | 7.6 | -3.3 |
| Greencoat UK Wind | 12.0 | 3.2 |
| Small Companies Dividend | -0.6 | -8.7 |
| Acorn Income Fund | 3.7 | -2.2 |
| Vietnam Infrastructure | -24.4 | -29.9 |

| | % discount (-ve) or premium (+ve) | |
|------------------------|-----------------------------------|------------|
| | 30 Jun (%) | 31 May (%) |
| Candover | -61.5 | -42.6 |
| Adamas Finance Asia | -24.8 | -9.8 |
| Schroder Real Estate | -14.7 | 0.1 |
| UK Commercial Property | -15.4 | -2.3 |
| Premier Energy & Water | -14.7 | -2.6 |
| Fair Oaks Income | -5.6 | 6.0 |

Money raised and returned in June

Money raised in June

3i Infrastructure's fund raising was significantly oversubscribed. It issued £385m worth of shares (against a target of £350m). Sequoia Economic Infrastructure was looking for £150m and got £175m. The one new issue this month was Hadrian's Wall Secured Investments. It specialises in UK commercial loans and joins the online lending section of debt sector having raised initial proceeds of £80m. John Laing Environmental issued £35.2m worth of shares to pay down debt. Redefine International expanded by about £13m on the back of a strong take-up of a scrip dividend. Once again Finsbury Growth & Income headed up the list of funds expanding through regular tap issues stock, issuing shares worth £10m over the month.

Money returned in June

A combination of share buybacks and a 25% tender offer shrank BH Macro by £233m during June – continuing the shrinkage of the hedge fund sector. RAB Special Situations was put into liquidation. Pacific Alliance China Land distributed \$96m to shareholders via a mandatory share repurchase. NB Global Floating Rate Income, Templeton Emerging, Worldwide Healthcare, NB Distressed Debt Extended Life and Blackstone/GSO Loan Financing all bought back shares worth more than £5m during June.

June's major news stories – taken from our website

Portfolio Developments

Dunedin Enterprise invested in Kingsbridge
Fidelity China said it would invest more in unlisted stocks
Electra sold its investment in Elian
Oakley benefited from the Time Out flotation
Polo Resources upped its stake in Blackham Resources
Vietnam Infrastructure sold Vina CPK
Starwood European funded a Dublin logistics portfolio
Hg Capital sold Mainio Vire
Ecofin Water & Power sold its Direct Energie stake
Woodford Patient Capital commented on the fall in price of Circassia
John Laing Infrastructure sold stakes in two projects
Infrastructure India completed its toll road sale
John Laing Environmental bought Dungavel wind farm



Hg Capital sold Mainio Vire

Corporate News

Industrial Multi Property had a bid for its whole portfolio
Value & Income said it would offer a cash exit in 2027
VinaLand published some proposed wind up options
RIT Capital said it would not bid for Alliance Trust
Bluefield Solar said it wanted to use long-term debt to enhance returns
Canadian & General said it would refinance its preference shares
JPMorgan Russian widened its target discount
Electra cancelled its revolving credit facility
Aberdeen Frontier Markets said it would pay a dividend
More of **Electra's** directors resigned
Funding Circle SME Income did a deal with the EIB
F&C Commercial Property extended its borrowing facilities
Picton Property negotiated a new credit facility
Damille 2 is liquidating its portfolio
Global Resources got a cash injection from its manager

Property News

VinaLand and **VinaCapital Vietnam Opportunities** sold their stakes in Project Pham Hung
Custodian REIT said it would target larger lot sizes and bought a portfolio of properties
Empiric Student Property bought a building in Leeds
Secure Property Dev sold a warehouse in Kiev
SEGRO transferred some assets into a joint venture
Intu took full control of Merry Hill
Hammerson sold Thurrock shopping centre
GCP Student Living funded a development in Wembley
Safestore concluded its acquisition of SpaceMaker
NewRiver Retail bought Cuckoo Bridge Retail Park
Target Healthcare REIT invested in Cheltenham
UK Commercial Property made two disposals
Schroder European bought two French hypermarkets

Managers & Fees

Schroder UK Mid Cap scrapped its performance fee
JPMorgan Claverhouse amended its management fee
Global Fixed Income Realisation had a change of manager
Rhys Davies became co-manager of **City Merchants High Yield**
F&C Global Smaller amended its fee arrangements
Lucy Macdonald took sole charge of **Brunner**

Income

Investment Companies announcing their full year dividends in June

| Fund | Year ended | Dividend | Change over year | Revenue / earnings | Cover |
|--|------------|-------------------|------------------|--------------------|--------------------|
| Aberdeen Japan | 31/03/16 | 4.2 | +61.5% | 5.67 | 1.35x |
| Alpha Real Trust | 31/03/16 | 2.4 | +14.3% | 7.0 | 2.92x |
| Capital Gearing | 05/04/16 | 20.0 | unchanged | 16.91 | 0.85x |
| Custodian REIT | 31/03/16 | 6.25 | +19.0% | 6.8 | 1.09x |
| Establishment Investment Trust | 31/03/16 | 5.1 | +4.1% | 4.97 | 0.97x |
| F&C Global Smaller Companies | 30/04/16 | 10.7 | +10.9% | 11.78 | 1.10x |
| Fidelity China Special Situations | 31/03/16 | 1.8 | +38.5% | 2.07 | 1.15x |
| Gabelli Value Plus | 31/03/16 | 0.3 | initial period | 0.39 | 1.30x |
| Hansa | 31/03/16 | 16.0 | unchanged | 13.0 | 0.81x |
| Invesco Asia | 30/04/16 | 3.65 | unchanged | 3.42 | 0.94x |
| Invesco Income Growth | 31/03/16 | 10.3 | +2.0% | 11.5 | 1.12x |
| John Laing Environmental Infra. ^d | 31/03/16 | 6.054 | +0.9% | 3.0 | 0.50x ^c |
| Jupiter Green | 31/03/16 | 0.65 | +18.2% | 0.83 | 1.28x |
| Lindsell Train | 31/03/16 | 8.1 ^b | +26.2% | 11.6 | 1.43x |
| LondonMetric Property | 31/03/16 | 7.25 | +3.6% | 7.8 | 1.08x |
| Montanaro European Smaller | 31/03/16 | 7.5 | unchanged | 6.0 | 0.80x |
| Montanaro UK Smaller Companies | 31/03/16 | 10.0 | +12.4% | 12.1 | 1.21x |
| NextEnergy Solar | 31/03/16 | 6.25 | +19.0% | 0.78 | 0.12x |
| Perpetual Income & Growth | 31/03/16 | 12.8 | +4.1% | 15.12 | 1.18x |
| Personal Assets ^a | 30/04/16 | 560 | unchanged | 478 | 0.85x |
| Picton Property Income | 31/03/16 | 3.3 | +10.0% | 3.7 | 1.12x |
| Real Estate Credit | 31/03/16 | 10.8 ^e | unchanged | 11.72 | 1.09x |
| Schroder Real Estate | 31/03/16 | 2.48 | unchanged | 2.50 | 1.01x |
| Seneca Global Income & Growth | 31/03/16 | 5.93 | +4.6% | 5.98 | 1.01x |
| Sequoia Economic Infrastructure | 31/03/16 | 3.5 | Initial period | 5.39 ^c | 1.54x |
| Templeton Emerging Markets | 31/03/16 | 8.25 | unchanged | 7.05 | 0.85x |
| Terra Capital | 31/12/15 | 3.24 cents | -12.9% | -1.67 | n/m |
| Utilico Emerging Markets | 31/03/16 | 6.4 | +4.9% | 8.23 | 1.29x |
| Value & Income | 31/03/16 | 10.5 | +16.7% | 10.97 | 1.04x |
| Workspace | 31/03/16 | 15.05 | +25.0% | 26.8 | 1.78x |
| Worldwide Healthcare | 31/03/16 | 16.5 | +32.0% | 17.1 | 1.04x |

- a) The first interim dividend of GBP1.40 per Ordinary share will be paid to shareholders on 14 July 2016. 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 2017, totalling £5.60 for the year.
- b) Plus a special dividend of 0.8p (0.78p last year)
- c) The company does not separate its revenue and capital profit and loss, this figure represents the combined amount.
- d) The company is targeting a full year dividend for the year ending 31 March 2017 of 6.14 pence per share.
- e) Plus a special dividend of 0.8p

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