

October 2016

Winners and losers in September

Livermore Investments' results were well received by investors. It has been doing well on its CLO investments. It is a similar story for EPE Special Opportunities although in its case the highlight of its results was the merger for one of its largest holdings. SVG Capital received a bid from Harbourvest. SVG has since confirmed that it has had other approaches. US Traded Life Interests sold its portfolio and will soon wind up. Funds exposed to Japan and to gold did well.

Generally, NAVs were pretty strong in September with few funds reporting falls. Juridica's share price weakened after it made a cash distribution to investors. FastForward Innovations premium reduced a little. Many commodities funds investing in small companies sold off. It is interesting to see Tritax Big Box REIT and HICL Infrastructure on the list. Both funds have been popular with investors and raising cash but were trading at big premiums to asset value.

Best performing funds in price terms in September:

| | (%) |
|------------------------------|-------|
| Livermore Investments | +39.3 |
| EPE Special Opportunities | +26.4 |
| SVG Capital | +21.7 |
| EI Oro | +18.2 |
| US Traded Life Interests | +18.0 |
| Industrial Multi Property | +16.4 |
| UIL | +16.1 |
| Macau Property Opportunities | +13.9 |
| Hg Capital | +13.3 |
| Kubera Cross Border | +12.7 |

Source: Morningstar, Marten & Co

Worst performing funds in price terms in September:

| | (%) |
|-------------------------|-------|
| Juridica | -30.5 |
| FastForward Innovations | -13.0 |
| Polo Resources | -10.8 |
| Baker Steel Resources | -8.1 |
| Infrastructure India | -7.8 |
| Gresham House Strategic | -6.0 |
| Marwyn Value Investors | -4.0 |
| Establishment | -4.0 |
| Tritax Big Box REIT | -3.9 |
| HICL Infrastructure | -3.7 |

Source Morningstar, Marten & Co

Best performing funds in NAV terms in September:

| | (%) |
|---------------------------------|-------|
| Baillie Gifford Shin Nippon | +10.5 |
| BlackRock World Mining | +9.2 |
| UIL | +9.0 |
| Fidelity Japanese Values | +8.0 |
| JPMorgan Japanese | +7.7 |
| Crystal Amber | +7.4 |
| International Biotechnology | +7.4 |
| Golden Prospect Precious Metals | +7.1 |
| VietNam Holding | +6.2 |
| BlackRock Commodities Income | +5.8 |

Source: Morningstar, Marten & Co

Worst performing funds in NAV terms in September:

| | (%) |
|-------------------------------------|------|
| Lazard World Trust Fund | -3.7 |
| Juridica | -2.5 |
| Chenavari Capital Solutions | -2.4 |
| Aberdeen New Thai | -2.2 |
| Qatar Investment Fund | -2.1 |
| Kennedy Wilson European Real Estate | -1.7 |
| Electra Private Equity | -1.7 |
| Jupiter UK Growth | -1.6 |
| JPMorgan Indian | -1.5 |
| MedicX | -1.1 |

Source Morningstar, Marten & Co

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

The discounts on Livermore and EPE Special Opportunities both narrowed after they published their interim results. The bid for SVG and US Traded Life Interests' portfolio sale were mentioned above. Electra may be benefitting from news stories that Premier Asset Management, an Electra investment, is planning an IPO.

Cheaper relative to NAV (notable changes)

Juridica distributed 32p per share to its shareholders but its share price moved from 70p to 17p over the month. FastForward Innovations remains on a very high premium even after this month's share price move. Singapore Airlines decided not to keep the A380 it had leased; this could have impacted Doric Nimrod Air Three. Fidelity Japanese Values' share price failed to keep pace with its rising NAV.

| | % discount (-ve) or premium (+ve) | | | % discount (-ve) or premium (+ve) | |
|---------------------------|-----------------------------------|------------|--------------------------|-----------------------------------|------------|
| | 31 Aug (%) | 30 Sep (%) | | 31 Aug (%) | 30 Sep (%) |
| EPE Special Opportunities | -21.5 | -0.7 | Juridica | +20.4 | -33.4 |
| Livermore Investments | -58.9 | -43.2 | FastForward Innovations | +73.6 | +51.9 |
| SVG Capital | -24.6 | -9.2 | Baker Steel Resources | -22.5 | -32.0 |
| US Traded Life Interests | -19.7 | -6.1 | Doric Nimrod Air Three | +29.7 | +22.0 |
| Electra Private Equity | -13.8 | -2.3 | Fidelity Japanese Values | -9.9 | -17.0 |

Source: Morningstar, Marten & Co

Source Morningstar, Marten & Co

Money raised and returned in September

Money raised in September

There were no brand new issues in September but there was some sizeable fund raising by existing funds. Top of the list was HICL Infrastructure which raised £113.4m from investors having targeted £76m. Renewables infrastructure funds were also popular: The renewables Infrastructure Group raised £62.6m, Foresight Solar raised £28.9m, NextEnergy Solar issued shares worth £9.8m and John Laing Environmental Assets issued shares worth £8.8m. Finsbury Growth & Income expanded by over £11m. Aurora raised £9.8m at the end of August and the new shares started trading in September. City of London issued shares worth £9.1m. Other notable issuers, all of which issued shares worth at least £5m, were Utlico Emerging Markets, Fundsmith Emerging Equities, Axiom European Financial Debt and Henderson Diversified Income.

Money returned in September

September saw the reconstruction of Ecofin Water and Power Opportunities. Shareholders ended up with a mixture of shares in two new funds, EF Realisation and Ecofin Global Utilities and Infrastructure and cash. In total Ecofin handed back £165.8m of cash. Juridica paid out £35.4m to its shareholders and Damille Investments II redeemed 25% of its issued share capital (shares worth £11.5m). BH Macro continued to shrink, buying back £17.8m worth of its shares in September. JPMorgan American bought back shares worth £15.4m, British Empire bought back £12.1m worth, Lazard World Trust Fund £11.7m worth and Templeton Emerging £10.5m worth. In addition, Mercantile and Scottish Investment Trust bought back at least £5m worth of shares.

September's major news stories – from our website

Portfolio Developments

- **Marwyn Value Investors** made an investment in Marwyn Speciality Chemicals
- **P2P Global** completed a securitisation of Zopa loans
- **John Laing Environmental** bought a French wind farm
- **Reconstruction Capital II** sold a stake in Albalact
- **JZ Capital** bought a development site in Miami and sold its interest in Winn Group
- **Hg Capital** sold Personal&Informatik
- **Electra** sold part of Hollywood Bowl in an IPO



- **HICL Infrastructure** bought bonds secured against the A13 project
- **Oakley Capital** sold Parship Elite and an investment purchased interests in three schools projects

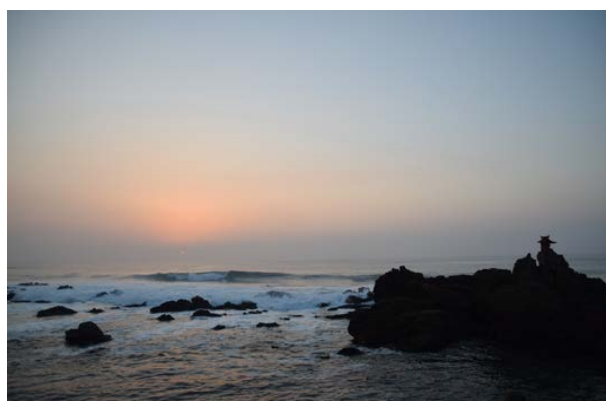
Property News

- **Custodian REIT** bought several properties
- **Derwent London** sold a building in Wells Street, W1
- **Empiric Student Property** funded a development in Birmingham and bought a property in Cambridge
- **Target Healthcare REIT** bought a care home in Camberley



Corporate News

- **SVG Capital** received a bid approach from Harbourvest but said it had also had a number of other credible approaches
- **BlackRock Income Strategies** announced a strategic review
- **Private Equity Investor** will delist now that its takeover is unconditional
- **Harbourvest Global Private Equity** to delist from Euronext
- **US Traded Life Interests** sold its portfolio and will wind up
- **Schroder Asian Total Return** said it wanted to reissue treasury shares at a discount
- **Fair Oaks Income** announced details of its first redemption
- **Pacific Horizon** changed its tender arrangements



Managers & Fees

- **Dunedin Income & Growth** said Ben Ritchie would be its investment manager
- Jean Roche appointed co-manager of **Schroder UK Mid Cap**
- **Jupiter UK Growth** changed its high watermark for its performance fee
- **Qatar Investment Fund** cut its management fee
- **Mercantile** cut its management fee
- The managers of **VPC Speciality Lending** will reinvest 20% of their fee in shares
- **Aberdeen Asian Smaller** cut its fees
- New management contract for **Infrastructure India**
- **BlackRock Latin American** cut its fees
- **Baillie Gifford Japan** altered its management fees
- **Edinburgh Worldwide** altered its management fees

Research



Seneca Global Income & Growth Trust



In September we published notes on Premier Energy & Water – **A Brexit beneficiary** – The SME Loan Fund – **Steady progress in turbulent times** – Standard Life European Private Equity – **Reinvestment phase underway** – and Seneca Global Income & Growth – **in demand and no discount**



Income

Investment Companies announcing their full year dividends in September

| Fund | Year ended | Dividend | Change over year | Revenue / earnings | Cover |
|----------------------------------|------------|-----------|------------------|--------------------|--------|
| City Natural Resources | 30/06/16 | 5.6 | unchanged | 5.08 | 0.91x |
| Target Healthcare REIT | 30/06/16 | 6.18 | +1.0% | 4.7 | 0.76x |
| F&C UK Real Estate | 30/06/16 | 5.0pa | | 4.6 | 0.92x |
| JPMorgan Mid Cap | 30/06/16 | 21.0+4.5b | +5.0% | 29.45 | 1.15x |
| Jupiter UK Growth | 30/06/16 | 7.0c | +9.4% | 8.27 | 1.18x |
| JPMorgan Global Growth & Incomed | 30/06/16 | 3.2 | unchanged | 3.24 | 1.01x |
| Sanditon | 30/06/16 | 1.1 | +144% | 1.19 | 1.08x |
| Strategic Equity Capital | 30/06/16 | 0.78 | unchanged | 0.44 | 0.56x |
| UIL | 30/06/16 | 7.5 | unchanged | 6.23 | 0.83x |
| City of London | 30/06/16 | 15.9 | +3.9%e | 17.4 | 1.09x |
| Jupiter European Opportunities | 30/06/16 | 5.5 | +44.7% | 6.84 | 1.24x |
| Ruffer | 30/06/16 | 3.4 | unchanged | 1.93 | 0.57xf |
| GCP Student Living | 30/16/16 | 5.66 | +1.1% | 5.3g | 0.94x |
| New Star Investment Trust | 30/16/16 | 0.3 | unchanged | 0.27 | 0.90x |
| Empiric Student Property | 30/06/16 | 6.0 | +50.0% | 1.89 | 0.31x |
| Crystal Amber | 30/06/16 | 5.0 | +100% | (1.37) | n/m |
| Green REIT | 30/06/16 | EUR 4.6c | +188% | EUR 3.7c | 0.80x |
| Qatar Investment Fund | 30/06/16 | USD 4.0c | unchanged | USD (30.0c)h | n/m |
| Murray Income | 30/16/16 | 32.25 | +0.8% | 32.0 | 0.99x |
| Aberdeen Frontier Markets | 30/06/16 | USD 1.2c | Initial dividend | USD (0.35c) | n/m |
| Standard Life UK Smaller | 30/06/16 | 6.6 | +13.8% | 6.76 | 1.02x |

Source: Marten & Co

- a) In the absence of unforeseen circumstances, it is the intention of the Group to continue to pay quarterly interim dividends of 1.25p
- b) 4.5p special dividend (same as last year), dividend growth figure is for the basic dividend
- c) This amount should not be considered to be indicative of the likely future yield on the company's shares pursuant to the company's new investment strategy. The board has resolved to replace the current regular quarterly dividends with a single annual dividend, payable shortly after the annual general meeting in each year.
- d) The Company's intention is to pay dividends each financial year totalling at least 4.0% of the net asset value of the Company as at the end of the preceding financial year. It is intended that the Company will only pay three quarterly dividends for the year ending 30th June 2017 each of 2.2p per share. The first dividend under the revised distribution policy of 2.2p per share will be paid in January 2017.
- e) This is the 50th consecutive year of dividend increases, a record in the investment companies industry.
- f) The directors do not believe it to be in our shareholders' best interests to start making distributions from capital reserves and therefore the dividend is likely to be reduced within the next 12 months.
- g) EPRA EPS were 0.64p, adjusting this for one-off financing costs relating to breaking an interest rate swap and the C share issue gives 5.3p.
- h) Qatar Investment Fund does not separate its capital and revenue income in its accounts.

International Biotechnology announced: "... the introduction of an annual dividend, equivalent to 4 per cent. of International Biotechnology Trust's Net Asset Value as at the last day of the preceding financial year (31 August), to be payable through two equal distributions in January and August of each year which it is expected will be paid out of capital reserves."

Blackstone/GSO Loan Financing said: "As BGCF's assets have rotated out of senior secured loans into CLOs, the income received by BGCF has increased such that the Directors of the Company have now increased the Company's target dividend yield to an annualised rate of EUR0.10 per share" that's an increase of 25%."

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