

February 2017

Winners and losers in January

Best performing funds in price terms in January:

	(%)
Geiger Counter	+46.7
Alternative Liquidity	+25.6
Baker Steel Resources	+25.2
EF Realisation	+25.0
Prospect Japan	+21.5
Macau Property Opportunities	+20.9
Juridica	+18.6
Golden Prospect Precious Metals	+17.7
Candover	+16.9
Polo Resources	+16.3

Source: Morningstar, Marten & Co

Worst performing funds in price terms in January:

	(%)
Lindsell Train	-24.2
British & American	-15.8
LMS Capital	-12.6
Menhaden Capital	-8.1
Riverstone Energy	-5.5
BH Global USD	-5.3
Vietnam Infrastructure	-5.1
Pacific Assets	-4.7
Jupiter US Smaller Companies	-4.7
Infrastructure India	-4.6

Source Morningstar, Marten & Co

Best performing funds in NAV terms in January:

	(%)
Geiger Counter	+37.2
Golden Prospect Precious Metals	+17.8
Candover Investments	+13.5
BlackRock World Mining	+12.4
City Natural Resources	+11.8
Baker Steel Resources	+10.5
JPMorgan Brazil	+9.7
BlackRock Latin American	+8.1
River & Mercantile UK Microcap	+7.9
Polar Capital Global Financials	+7.2

Source: Morningstar, Marten & Co

Worst performing funds in NAV terms in January:

	(%)
EF Realisation	-7.5
VietNam Holdingf	-6.5
British & American	-3.9
BH Macro USD	-2.7
Merchants Trust	-2.6
Troy Income & Growth	-2.4
Dunedin Income & Growth	-2.2
F&C UK High Income Units	-2.2
Oakley Capital	-2.1
Invesco Income Growth	-2.1

Source Morningstar, Marten & Co

The resources sector had a particularly good month as investors remained optimistic that Trump's policies would help drive demand for commodities. Top of the tables is **Geiger Counter**, the uranium specialist. The uranium price rose sharply in January but remains a long way off its highs. The boost to commodity prices also helped Latin American focused funds such as **JPMorgan Brazil** and **BlackRock Latin American**. **Prospect Japan** was bid for by the parent company of its investment manager. **Macau Property Opportunities** reported a better economic backdrop and an improving NAV. **Candover** benefitted from an improvement in the Parques Reunidos share price, boosting Candover's NAV. **River & Mercantile Micro Cap's** largest holding, Taptica, had a good month.

In NAV terms, falls were quite limited. Only **EF Realisation** and **VietNam Holding** fell by much. EF Realisation's portfolio is dominated by Lonestar Resources, a shale oil company in the US. It's a focus shared with **Riverstone Energy**. In a month when the oil price was flat, other commodities were riding high and Lonestar released a positive trading statement, it is not clear why its share price fell. The share price moves are more pronounced than the NAV moves as a number of funds moved to trade on lower premiums or wider discounts. Top of the list was **Lindsell Train**, reversing most of the price gains it made in H2 2016.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

EF Realisation's share price rose despite a fall in its NAV but is still trading on a fairly wide discount, possibly reflecting the illiquidity of its portfolio. **Prospect Japan's** discount narrowed after it was bid for. **Macau Property Opportunities'** discount narrowed as it reported better economic conditions in Macau. The ownership of **Juridica's** investment manager changed in January but there was no other news to speak of. **FastForward Innovations'** premium is climbing again but there is plenty going on within its portfolio, including a bid for Schoold, and the NAV could be revised upwards.

Cheaper relative to NAV (notable changes)

Lindsell Train gave up most of the share price gain it made in H2 2016, illustrating the danger of buying a fund on a large premium. A director sold shares in the company and Nick Train warned that its valuation was excessive. **British & American's** share price continues to gyrate as does the share price of Geron, its largest investment. **LMS Capital's** share price fell after it updated on its estimates for its year end NAV. The NAVs of many of the leasing funds have become distorted by an accounting anomaly that revalues their debt in the wake of the strengthening dollar but does not revalue their assets. The **Doric Nimrod** funds have been affected. **MedicX** announced a jv with a developer.

	% discount (-ve) or premium (+ve)			% discount (-ve) or premium (+ve)	
	31 Dec (%)	31 Jan (%)		31 Dec (%)	30 Jan (%)
EF Realisation	-52.2	-35.5	Lindsell Train	+66.3	+26.4
Prospect Japan	-27.4	-12.6	British & American	+80.1	+58.6
Macau Property Opportunities	-50.1	-38.5	LMS Capital	-21.2	-30.0
Juridica	-23.3	-12.3	Doric Nimrod Air Three	+77.2	+68.9
FastForward Innovations	+37.7	+46.9	MedicX	+62.8	+54.8

Source: Morningstar, Marten & Co

Source Morningstar, Marten & Co

Money raised and returned in January

Money raised in January

Just one new fund launched in January 2017, **TOC Property Backed Lending**. It does what it says on the tin and aims to generate a yield of about 7% per annum plus some modest growth of capital. It raised just £17m, mainly from existing clients of the manager. **Amedeo Air Four** raised £130m to help fund new aircraft acquisitions. **Oakley Capital** placed £23.5m worth of shares that it was holding in Treasury. The shares were sold at 157p, which is well shy of Morningstar's estimated NAV at end December 2016 of 2016. The board justified the issue though on the grounds that the shares had been bought for an average price of 146p and so the transaction was, in the round, profitable for the company. **Standard Life Equity Income** expanded as its subscription shares were exercised, raising £12.5m for the fund. Tap issues of shares by **Scottish Mortgage** raised a whopping £36.4m for that trust. **Capital Gearing**, **BB Healthcare** and **Finsbury Growth & Income** all issued at least £5m worth of stock.

Money returned in January

Top of the list of funds handing back cash in January was **Alliance Trust** which bought back stock worth £66.8m. It has just agreed (subject to shareholder approval) to repurchase Elliott International LP's stake in the company. This amounts to almost 20% of Alliance's issued share capital or £624.4m worth at today's prices. If approved, the buy-back will be done in four tranches at a discount of 4.75% - in line with where the shares are trading at the moment. **Henderson Alternative Strategies** returned £13.0m to shareholders via a tender. **Baring Emerging Europe** bought back 10% of its issued share capital by means of a tender, returning £12.4m to investors. Regular buy backs shrank **Mercantile** by about £22m. Other funds repurchasing at least £5m worth of shares were **Vinaland**, **Witan**, **Highbridge Multi Strategy**, **Aseana Properties**, **Foreign & Colonial** and **VinaCapital Vietnam Opportunities**.

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January's major news stories – from our website

Portfolio Developments

- **Electra** sold Davies Group
- **Hg Capital** sold Zenith
- **Duet Real Estate Finance** sold its last investment
- **Vietnam Infrastructure** sold its stake in Southeast Asia Telecommunications
- **Candover** sold the rest of its stake in Technogym and part of its Parques Reunidos investment
- **HICL** bought two Dutch PPP projects
- **ICG Enterprise** sold Micheldever Group
- **NextEnergy Solar** bought four plants
- **UK Mortgages** updated on its third investment

Property News

- **Redefine International** sells 201 Deansgate, Manchester and its German office portfolio
- **MedicX** formed a jv with a developer
- **Pacific Industrial** bought a site in Chesterfield
- **Dolphin Capital** sold its stake in Pearl Island
- **Empiric Student Property** bought Foss Studios in York
- **Standard Life Investments Property Income** sold the Quadrangle in Cheltenham
- **Picton Property Income** sold two properties in Bath
- **Custodian REIT** bought a retail block in Shrewsbury

Corporate News

- **NextEnergy Solar** secured new bank funding
- **London & St Lawrence** has decided to wind up
- **Alliance Trust** will buy back Elliott's stake and will become a multi-manager best ideas fund
- **Acorn Income** achieved a rollover of its zeros
- **GCP Asset Backed Income** secured a revolving credit facility
- **Chelverton Small Companies Dividend** is considering a new issue of zeros
- **Prospect Japan** was bid for
- **ICG Longbow** wants to tweak its investment policy
- **Alpha Real Trust** won an EGM it called at Industrial Multi Property Trust
- **JPMorgan Russian** proposed a conditional tender

Managers & Fees

- **Juridica**'s manager changed hands

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SCOTTISH MORTGAGE WAS ORIGINALLY LAUNCHED TO PROVIDE LOANS TO RUBBER GROWERS IN MALAYSIA IN THE EARLY 20TH CENTURY.

SCOTTISH MORTGAGE INVESTMENT TRUST

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But don't just take our word for it. Over the last five years **Scottish Mortgage**, managed by Baillie Gifford, has delivered a total return of 191.3%* compared to 103.4%* for the index. And **Scottish Mortgage** is low-cost with an ongoing charges figure of just 0.45%!

Standardised past performance to 31 December each year*:

	2012	2013	2014	2015	2016
Scottish Mortgage	30.1%	39.8%	21.4%	13.3%	16.5%
FTSE All-World Index	12.0%	21.0%	11.3%	4.0%	29.6%

Past performance is not a guide to future returns.

Please remember that changing stock market conditions and currency exchange rates will affect the value of your investment in the fund and any income from it. You may not get back the amount invested.

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Long-term investment partners

*Source: Morningstar, share price, total return as at 31.12.16. †Ongoing charges as at 31.03.16. Your call may be recorded for training or monitoring purposes. Scottish Mortgage Investment Trust PLC is available through the Baillie Gifford Investment Trust Share Plan and the Investment Trust ISA, which are managed by Baillie Gifford Savings Management Limited (BGSM). BGSM is an affiliate of Baillie Gifford & Co Limited, which is the manager and secretary of Scottish Mortgage Investment Trust PLC.

Income

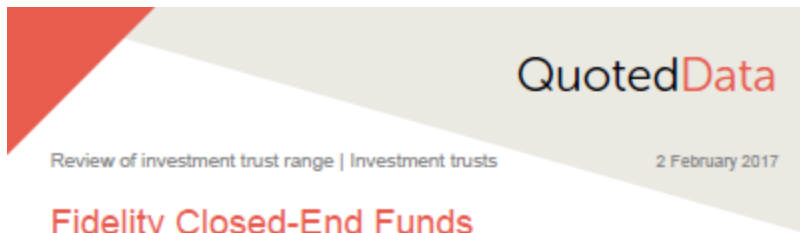
Investment Companies announcing their full year dividends in January

Fund	Year ended	Dividend (pence)	Change over year (%)	Revenue / earnings (pence)	Cover
CC Japan Income & Growth	31/10/16 ^a	3.0	initial	3.60	1.20x
Drum Income Plus REIT	30/09/16 ^b	5.25	initial	6.47	1.23x
JPMorgan Russian	31/10/16	14.0	+7.7%	15.47	1.10x
Independent Investment Trust	30/11/16	5.0+2.5 ^c	unchanged	7.93	1.59x ^c
Bankers	31/10/16	17.0	+7.6% ^d	17.50	1.03x
JPMorgan Asian	30/09/16	3.0 ^e	+20.0%	3.48	1.16x
Scottish Investment Trust	31/10/16	13.5+9.0 ^f	+8.0%	21.60	1.60x
BlackRock Income Strategies	30/09/16	6.54	unchanged ^g	7.56	1.16x
Safestore	31/10/16	11.65	+20.7%	19.80	1.70x

Source: Marten & Co

- a) Initial period from 15 December 2015 to 31 October 2016
- b) Initial period from 29 May 2015 to 30 September 2016. The Board is targeting fully covered aggregate quarterly dividends of at least 5.5 pence per share in respect of the year ending 30 September 2017 and at least 6.0 pence per share in respect of the year ending 30 September 2018.
- c) 5p interim plus 2.5p special dividend, as compared to a 5p interim and 3p special dividend for y/e 30/11/15
- d) 50th consecutive year of dividend increases
- e) The Board is proposing a new dividend policy under which it aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equivalent to 1% of the Company's NAV on the last business day of each financial quarter,
- f) 13.5p plus 9.0p special dividend
- g) The board believe the dividend will fall by about 20% after the fund merges with Aberdeen Tracker and changes investment manager

Research



On 3 February we published a note on three of Fidelity's closed end funds – Fidelity Asian Values, Fidelity Japanese Values and Fidelity Special Values.

In this note we have focused on Fidelity Special Values in particular.

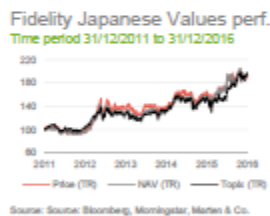
This is a regular publication looking at Fidelity and recent developments in three of its investment trusts – Fidelity Asian Values, Fidelity Japanese Values and Fidelity Special Values.

In this issue:

- The appointment of Nitin Bajaj as manager of Fidelity Asian Values (FAS) has been a very successful move for the trust. It has recently made a bonus issue of subscription shares allowing existing holders the opportunity to increase their exposure to the strategy.
- Fidelity Japanese Values' (FJV's) performance has been turning a corner, aided by weak sterling. Corporate earnings are weak but its manager thinks these are close to a nadir and, with the Japanese government working hard to increase real wages, he has increased exposure to consumer discretionary spending as he expects this to get a boost.
- The manager of Fidelity Special Values (FSV) approaches the fifth anniversary of his appointment. Alex's strategy has been transformative for the trust and we take a look at this in more detail.

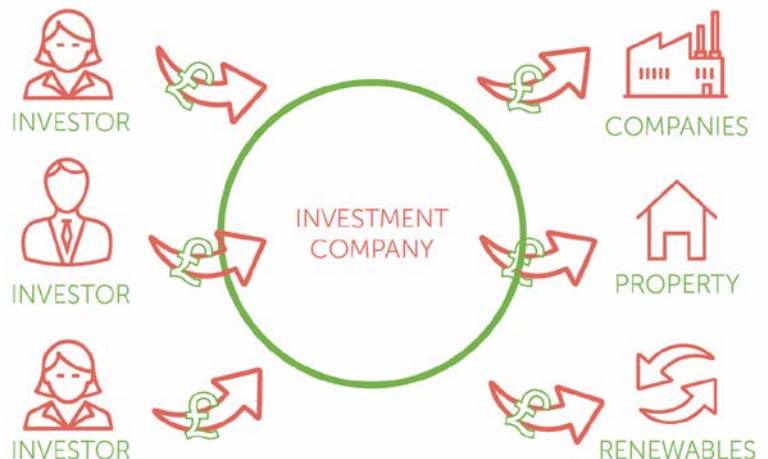
Special feature: Fidelity Special Values

Alex Wright took over the management of Fidelity Special Values (FSV) in September 2012. He manages the portfolio using a value/contrarian style, which has proved to be very successful for the trust, affording it peer-group-beating performance. Reflecting this, the trust has experienced a marked improvement in demand for its shares. Its discount has narrowed from 15.4% when Alex took over, to 1.5% today. In our special feature, we take a look at FSV's strategy, the investment process, Alex's outlook and some key themes currently being used in the management of the portfolio.



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