

Monthly roundup | Investment companies

May 2017

Winners and losers in April

Best performing funds in price terms in April:

	(%)		(%)
FastForward Innovations	+43.5	Ranger Direct Lending	-17.9
EPE Special Opportunities	+22.0	Geiger Counter	-12.0
Globalworth Real Estate	+20.1	SQN Asset Finance Income	-8.9
Independent	+15.8	Apax Global Alpha	-8.5
Marwyn Value Investors	+13.5	Lindsell Train	-8.0
Industrial Multi Property	+11.5	Prospect Japan	-7.4
P2P Global Investments	+11.4	Macau Property Opportunities	-6.7
Acorn Income Fund	+11.0	Golden Prospect Precious Metals	-5.5
Aberdeen Smaller Companies Income	+10.5	Schroder Japan Growth	-5.4
Electra Private Equity	+10.4	LXB Retail Properties	-5.0

Source: Morningstar, Marten & Co

Worst performing funds in price terms in April:

Source Morningstar, Marten & Co

Best performing funds in NAV terms in April:

	(%)		(%)
Acorn Income Fund	+10.3	Geiger Counter	-21.1
Gresham House Strategic	+9.8	Golden Prospect Precious Metals	-14.0
Independent	+8.6	City Natural Resources	-9.9
Chelverton Small Companies Dividend	+8.2	BlackRock Commodities Income	-7.7
BlackRock Smaller Companies	+7.1	Prospect Japan	-5.6
BlackRock Throgmorton	+7.0	Middlefield Canadian Income	-5.4
Henderson Smaller Companies	+6.6	Qatar Investment Fund	-4.7
Standard Life UK Smaller Companies	+6.4	BlackRock World Mining	-4.7
River & Mercantile UK Micro Cap	+6.3	Premier Energy & Water	-4.4
JPMorgan Mid Cap	+6.2	UIL	-4.2

Source: Morningstar, Marten & Co

Source Morningstar, Marten & Co

FastForward Innovations' share price recovered as it sold the stake in Blue Star Capital that it received in exchange for its shares in SatoshiPay. **EPE Special Opportunities'** shares rose after it published its annual report, it has also been buying back its shares. Similarly, **Globalworth's** shares rose after its results were published, despite posting a fall in its NAV. UK small cap stocks had a better month, and this is the driver behind all of the positive NAV moves in second table. **Acorn Income Fund** did particularly well thanks to the gearing provided by its zero dividend preference shares. Hansteen upped its bid for **Industrial Multi Property**.

Resources funds extended their falls on the back of weak commodities prices and feature prominently in both tables with, uranium specialist, **Geiger Counter** the worst performer and, gold specialist, **Golden Prospect Precious Metals**, the second worst in NAV terms. Both funds have announced that they hope to issue subscription shares. Two funds, **Ranger Direct Lending** and **SQN Asset Finance Income**, ran into problems with borrowers (you can read more about this [here](#)). Sterling strengthened and this dragged down the NAVs of funds such as **Prospect Japan** and **Middlefield Canadian Income**.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

FastForward Innovations is back to trading on a large premium having made a disposal. **Globalworth's** shares rose after it published results as did **EPE Special Opportunities**. **Industrial Multi Property** benefitted as **Hansteen** increased its offer to 330p a share, securing the backing of **Alpha Real Trust**. **Geiger Counter's** NAV fell a bit faster than its share price. Both have been quite volatile recently.

Cheaper relative to NAV (notable changes)

Ranger Direct Lending lost fans as it announced its NAV might be impacted by the Argon Credit bankruptcy. **Lindsell Train's** premium slipped a little more. **SQN Asset Finance** is exposed to the bankruptcy of a US solar power company. **Chelverton Small Companies Dividend** had a strong month in NAV terms but its share price failed to keep up. There is no obvious reason why **Apax Global Alpha's** share price fell in April. It has edged up a little in May.

	% discount (-ve) or premium (+ve)			% discount (-ve) or premium (+ve)	
	31 Mar (%)	30 Apr (%)		31 Mar (%)	30 Apr (%)
FastForward Innovations	+9.9	+56.0	Ranger Direct Lending	-9.8	-23.3
Globalworth Real Estate	-27.1	-11.0	Lindsell Train	+37.8	+25.2
EPE Special Opportunities	-34.0	-19.6	SQN Asset Finance Income	+14.4	+4.3
Industrial Multi Property	+2.0	+13.7	Chelverton Small Co.s Dividend	-0.5	-7.8
Geiger Counter	-13.0	-3.0	Apax Global Alpha	-4.2	-10.1

Source: Morningstar, Marten & Co

Source Morningstar, Marten & Co

Baillie Gifford has been managing investments since 1909. Our success has been built on finding good investment opportunities for clients through extensive independent research. Our fundamental analysis and judgement over the years have helped us to become one of the UK's largest independent investment management groups with over £145 billion of funds under management and advice as at 31 December 2016*



Baillie Gifford is one of the largest investment trust managers in the UK with a range of seven trusts. We also have an extensive range of OEIC sub-funds and manage investments globally for pension funds, institutions and charities.

*Source Baillie Gifford & Co As with all stock market investments, your capital is at risk

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Money raised and returned in April

Money raised in April

Money returned in April

	£m		£m
Funding Circle SME Income	142.0	BH Macro	318.7
BBGI SICAV	58.5	SVG Capital	300.0
Scottish Mortgage	33.6	JPMorgan American	22.2
Secure Income REIT	11.6	Alliance Trust	21.4
Taliesin Property Fund	9.1	Mercantile	9.9

Source: Morningstar, Marten & Co

Source Morningstar, Marten & Co

The only new launch in April was **EJF Investments**, a £69m fund trying to take advantage of the changing landscape in financial services. **Aberdeen Diversified Income & Growth** expanded by £75m thanks to the rollover of money from **Aberdeen UK Tracker**. **Funding Circle SME Income** raised £142m in a C share issue. **BBGI SICAV** raised £58.5m from investors in a placing. **Scottish Mortgage** continues to expand - £33.6m is a substantial

amount to raise from tap issues. **Secure Income REIT** issued shares worth £11.6m to its investment adviser in settlement of an incentive fee. In a similar transaction, the managers of **Taliesin Property Fund** were issued shares worth €10.5m. **Schroder Asian Total Return, Personal Assets, MedicX** and **Finsbury Growth & Income** all issued shares worth at least £5m during April. **Fair Oaks Income Fund** saw 47.4m of its shares reclassified as 2014 shares (these shares relate to a separate pool of assets that will be turned into cash over time) and issued 68.9m C shares.

Close to half of **BH Macro**'s shareholders made for the exit as that fund held a tender. The Euro class of shares will close. **SVG Capital** completed another of its returns of capital and is now considering appointing liquidators. **JPMorgan American** remains unpopular with investors as does **Alliance Trust** although, in the latter case, the pace of selling does appear to be slowing a little. **Mercantile** also continues to shrink despite a better month of NAV performance.

In addition to the movements listed in the table, we said goodbye to **London & St Lawrence** (shareholders had a choice of cash or a similar open-ended fund) and Aberdeen UK Tracker (shareholders had a choice of shares in Aberdeen Diversified Income & Growth or cash). Other funds buying back at least £5m worth of shares included **Vinaland, CVC Credit Partners European Opportunities, Toro** and **BH Global**.

April's major news stories – from our website

Portfolio Developments

- **Reconstruction Capital** sold Top Factoring Group
- **HICL** added to its Helicopter Aircrew Training Facility investment



- **Starwood European** made three new loans
- **Baker Steel** investment, Polar Acquisition, secured some new finance
- **Hg Capital** invested in Miratech and sold Qundis
- **FastForward** sold its stake in Blue Star
- The **Ottoman Fund** settles its dispute with its former CFO
- **LMS Capital** sold 365IT
- **Ranger Direct Lending** said it might take a 4% NAV hit from Argon's bankruptcy
- **BlackRock World Mining** revalued its Banro stake
- **John Laing Environmental** bought a wind farm
- **SQN Asset Finance Income** warned on a loan it had made against a solar company
- **GCP Infrastructure** agreed funding with the Green Investment Bank and put £40m into social infrastructure
- **Next Energy Solar** bought six power plants

Corporate News

- **Martin Currie Asia Unconstrained** said it would pay dividends from capital
- **Pacific Assets** said it wanted to broaden its mandate
- **BlackRock Smaller Companies** raised the limit on its AIM exposure
- **Aberdeen Emerging Markets** got a new loan facility
- **Infrastructure India** said it couldn't pay back a working capital loan
- **Scottish Mortgage** raised £125m in a private debt placement
- **Custodian REIT** got a new £50m facility
- **Troy Income & Growth** got a £20m facility
- **JZ Capital** will use buybacks rather than capital dividends to control its discount
- **Kennedy Wilson Europe** may merge with Kennedy Wilson Holdings



- **Hansteen** increased its offer for Industrial Multi Property
- **Aberforth Geared Income** announced restructuring proposals

Property News

- **Civitas** added to its portfolio
- **European REIT** sold its last investment
- **Redefine** acquired control of a portfolio
- **Phoenix Spree Deutschland** sold its Nuremberg and Furth properties
- **LXi REIT** has been building its portfolio
- **VinaLand** sold its stake in Dai Phuoc Lotus
- **Target Healthcare** bought three more homes
- **Hammerson** secured a £360m facility

Managers & Fees

- Willis Towers Watson took up the reins at **Alliance Trust**
- **P2P Global** said it was reviewing its investment management arrangements
- Rodger McNair is stepping down at **F&C UK High Income**
- **BH Global** cut its fees
- **Primary Healthcare Properties** revised its fees
- **Blue Capital Global Reinsurance** said its manager had resigned
- **Scottish Oriental Smaller Companies** announced changes to its management team



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

SCOTTISH MORTGAGE INVESTMENT TRUST

PICKING STOCKS WITH PRECISION.

Scottish Mortgage Investment Trust plays a 'long game' with a focused list of around 80 stocks. Our aim is to meticulously seek out truly innovative organisations (the obvious and the unexpected) and stick with them over the long-term. We believe this strategy gives us a strong competitive advantage in identifying companies with real potential for significant sales growth – often as a result of their intelligent deployment of transformational technology.

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.

For a free-thinking investment approach call **0800 917 2112** or visit www.scottishmortgageit.com



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

Menhaden's board said: "The Board has not recommended a final dividend for the year. The Board is cognisant of the undertaking in the Company's prospectus to target a dividend yield of 2% per annum of the average NAV, with a target implementation date of 31 December 2017. Given the performance of the portfolio since the launch of the Company, the attainment of this by the target implementation date now looks uncertain. The Board will continue to keep the dividend target under close review and will advise shareholders accordingly."

Investment Companies announcing their full year dividends in April

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Pacific Assets	31/01/17	2.6	+18.2	2.8	1.08x
Oakley Capital Investments	31/12/16	4.5	first	0.35 ^a	0.08x
Marwyn Value Investments	31/12/16	8.256	unchanged	12.21	1.48x
Acorn Income Fund	31/12/16	15.5	+12.7	20.37	1.31x
UK Commercial Property	31/12/16	3.68	unchanged	3.48	0.95x
Phaunos Timber Fund	31/12/16	1.9 cents	n/a ^c	3.37 ^d	1.77x
Blackstone/GSO Loan Income	31/12/16	EUR 0.09	+12.5	EUR 0.1237	1.37x
Invesco Perpetual UK Smaller		17.1	+19.6	7.37	0.43x
Phoenix Spree Deutschland	31/12/16	EUR 0.063	+8.6	EUR 0.42 ^d	6.67x
Witan Pacific	31/01/17	4.75	+2.2	4.41	0.93x
ICG Longbow	31/01/17	6.0+2.25 ^e	unchanged	9.62	1.60x ^e
Aberdeen New Thai	28/02/17	10.3	+21.1	10.31	1.00x
Third Point Offshore GBP shares	31/12/16	62.0	n/a ^f	89p ^d	1.44x
Third Point Offshore USD shares	31/12/16	71 cents	n/a ^f	101 cents ^d	1.42x
Honeycomb	31/12/16	68.4	first year	94.4	1.38x
VPC Speciality Lending	31/12/16	6.0	+25.3 ^g	6.0	1.00x
P2P Global	31/12/16	44.5	-24.8	47.62	1.07x
F&C Commercial Property	31/12/16	6.0	unchanged	5.22	0.87x
Dunedin Enterprise	31/12/16	33.5	+58.0	33.5	1.00x
Fair Oaks	31/12/16	13.45 cents	+35.5	21.78 ^d	1.62x
Threadneedle UK Select	31/12/16	4.55	+2.2	5.61	1.23x
British & American	31/12/16	8.4	+2.4	4.31	0.51x

Source: Marten & Co, * unless otherwise stated

- a) The company does not publish separate revenue and capital figures, it has a new policy of distributing 2% of NAV.
- b) Net income per share
- c) This is the first dividend since 2012
- d) The company does not separate revenue and capital figures, this is a combined figure.
- e) 6p plus a special dividend of 2.25p to reflect one-off fees received, not included in cover figure.
- f) No dividend declared last year
- g) Last year's dividend reflected a period where the portfolio wasn't fully invested

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Research

QuotedData
4 May 2017

Initiation | Investment companies

Henderson Diversified Income Trust plc

Shift to onshore

Henderson Diversified Income Trust plc (HDIV) has completed its move to a UK domicile and, from both its board and managers' perspective, it is business as usual. With the freedom to access the whole of the fixed and floating rate income market in search of returns, its managers remain focused on producing an attractive yield from a portfolio designed to protect investors' capital. Its managers are delivering, consistently, benchmark-beating returns.

High income from a flexible fixed income portfolio

HDIV's objective is to seek income and capital growth such that, on a rolling annual basis, the total return (total return reflects the reinvestment of dividends) on the NAV exceeds three-month sterling LIBOR plus 2%. It has a global mandate and invests selectively across the full spectrum of fixed income asset classes including, but not limited to, secured loans, government bonds, asset-backed securities, investment-grade corporate bonds, high-yield corporate bonds, unrated bonds, preference and selective high-yield equity shares, hybrid securities, convertible bonds, and floating-rate notes. The managers use borrowing to enhance returns.

Dividends, which comprise the bulk of returns for investors, are paid quarterly.

Year ended	Share price total return (%)	NAV total return (%)	Three-months LIBOR plus 2% (2014-2017) (%)
31/03/13	12.9	14.2	2.1
31/03/14	10.9	9.9	1.8
31/03/15	8.5	8.3	2.1
31/03/16	(2.1)	1.4	2.9
31/03/17	12.1	9.7	2.5

Source: Morningstar, Warden & Co. Note: 1/01/21 October 2014-Henderson Diversified Income Trust Three-month sterling LIBOR + 2.0% (2014-2017) target return. Three-month sterling LIBOR + 0.25% has been used since 1 November 2014.

100
95
90
85
80
75
2012 2013 2014 2015 2016 2017

Share price and discount
Time period 31/03/12 to 31/03/17

100
95
90
85
80
75
2012 2013 2014 2015 2016 2017

Performance over five years
Time period 31/03/12 to 31/03/17

100
95
90
85
80
75
2012 2013 2014 2015 2016 2017

Domestic United Kingdom
Inception date 15 July 2007
Manager John Paffalco and Jerome Bernard
Market cap 196.3m
Shares outstanding 182.2m
Daily vol. (1-yr. avg.) 319,000 shares
Net gearing 16.3%

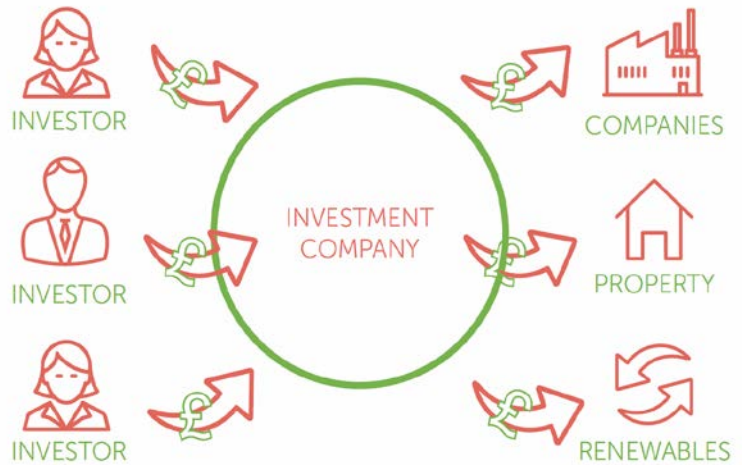


On 4 May, we published a note on Henderson Diversified Income, **Shift to onshore**, which described how that fund's move from being a Jersey domiciled company with a Luxembourg subsidiary to being a UK investment trust will affect it.



On 27 April, we held our first seminar covering Part 1 of our Guide to Quoted Investment Companies. The **next seminar** will be held on 13 July at 2pm. This will cover the first half of Part 2 of the guide, topics such as:

- How is your money managed?
- Investment company structures
- The role of the board and shareholder rights
- Net Asset Values (NAVs)
- What is a discount?



The QuotedData guide to investment companies aims to help investors and financial advisers better understand investment companies and help them make better informed investment decisions.

QuotedData

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