

Monthly roundup | Investment companies

November 2017

Winners and losers in October

Best performing funds in price terms in October

	(%)
Globalworth Real Estate	+24.7
EF Realisation	+22.8
Duke Royalty	+15.9
FastForward Innovations	+15.8
Dunedin Enterprise	+15.1
Symphony International	+12.3
Manchester & London	+12.3
Electra Private Equity	+12.1
ICG Enterprise	+12.0
Macau Property Opportunities	+11.7

Source: Morningstar, Marten & Co

Best performing funds in NAV terms in October

	(%)
India Capital Growth	+9.9
Terra Capital	+9.5
Allianz Technology	+9.1
Weiss Korea Opportunity	+9.1
JPMorgan Chinese	+8.1
Polar Capital Technology	+7.8
JPMorgan Japanese	+7.6
Dunedin Enterprise	+7.6
Manchester & London	+7.2
Baillie Gifford Japan	+6.9

Source: Morningstar, Marten & Co

Globalworth Real Estate's discount was eliminated after it announced an investment in Poland and its directors bought shares. **EF Realisation's** discount narrowed on the back of a modest NAV uplift. **Duke Royalty** announced a new financing agreement. **FastForward Innovations** said its investment, Nuuverra, may go public. **Dunedin Enterprise** sold Kee Safety, making 3x its money. **Symphony International** sold some investments. **Electra** announced another return of cash. **ICG Enterprise's** interim results were well received. **Macau Property Opportunities'** managers bought shares. Indian small and medium cap specialist, **India Capital Growth**, had a strong month. The technology sector continued to shine around the world, boosting funds like **Allianz Technology** and **Polar Capital Technology**. Japan also did well as the market welcomed the re-election of Shinzo Abe.

Worst performing funds in price terms in October

	(%)
LXB Retail Properties	-28.9
Blue Capital Alternative Income	-13.8
Leaf Clean Energy	-8.9
Woodford Patient Capital	-6.2
Infrastructure India	-5.9
Alternative Liquidity Fund	-5.0
Qatar Investment Fund	-4.8
UK Commercial Property	-4.8
CatCo Reinsurance Opportunities	-4.5
Ranger Direct Lending	-4.2

Source: Morningstar, Marten & Co

Worst performing funds in NAV in October

	(%)
Biotech Growth	-8.3
International Biotechnology	-3.9
BlackRock Latin American	-3.8
JPMorgan Brazil	-3.7
Woodford Patient Capital	-3.5
Aberdeen Latin American	-3.3
Crystal Amber	-1.9
European Investment	-1.8
Sanditon	-1.7
Qatar Investment Fund	-1.6

Source: Morningstar, Marten & Co

LXB Retail Properties released a disappointing trading update. **Blue Capital Alternative Income** and **CatCo Reinsurance Opportunities** continued to suffer from hurricane related NAV write downs. The Biotech market was weak after some leading players announced disappointing results. This affected funds such as **Biotech Growth** and **Woodford Patient Capital**. Qatar (the row with its neighbours) and Brazil (ongoing worries about corruption) were both out of favour. There was little stock-specific news on **UK Commercial Property** but its shares moved to trade at a small discount. **Ranger Direct Lending's** share price continued to slip but, since the quarter end, it has announced that it may be looking to introduce a new co-manager.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	(%)	(%)
FastForward Innovations	+34.2	+54.7
Globalworth Real Estate	-19.0	+1.5
Duke Royalty	+17.0	+35.6
Blue Capital Alternative Income	-15.6	-2.4
EF Realisation	-26.4	-14.5

Source: Morningstar, Marten & Co

FastForward Innovations said its investment, Nuuverra, may go public. **Globalworth Real Estate**'s discount was eliminated after it announced an investment in Poland and its directors bought shares. **Duke Royalty** announced a new financing agreement. **Blue Capital Alternative Income**'s end September NAV fell faster than its share price (on the back of hurricane related NAV writedowns). **EF Realisation**'s discount narrowed on the back of a modest NAV uplift.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	(%)	(%)
LXB Retail Properties	-16.5	-40.7
British & American	+76.7	+64.1
UK Commercial Property	+5.3	-3.5
Terra Capital	-14.0	-20.8
Leaf Clean Energy	-32.0	-38.7

Source: Morningstar, Marten & Co

LXB Retail Properties released a disappointing trading update but this affected sentiment more than its asset value. **British & American**'s premium continues to moderate. There was little stock-specific news on **UK Commercial Property** but its shares moved to trade at a small discount. Esoteric emerging and frontier market fund, **Terra Capital** saw some buying interest. **Leaf Clean Energy**'s share price fell further after its end September results statement.

Money raised and returned in October

Money raised in October

	(£m)
Greencoat UK Wind	340.0
GCP Asset Backed Income	75.0
Real Estate Credit Opportunities	40.7
RM Secured Lending	30.0
AEW UK REIT	28.1

Source: Morningstar, Marten & Co, *approximate value of shares at 31/10/17

There were no new issues in October but **Greencoat UK Wind**'s mammoth £340m fund raise more than made up for that. **GCP Asset Backed Income** and **RM Secured Lending** both benefitted from C share issues. **Real Estate Credit Opportunities** placed shares worth £30m and **AEW UK REIT** raised £28.1m; it had been hoping for £40m-£60m however. **CVC Credit Partners European Opportunities** has reissued shares worth £19.9m from Treasury. **Atlantis Japan Growth** raised £14.9m from the exercise of its embedded subscription rights. A long list of funds issued stock worth at least £5m, including **Worldwide Healthcare**, **Baillie Gifford Japan**, **Finsbury Growth & Income**, **Aurora**, **ICG Longbow**, **Custodian REIT**, **Personal Assets**, **Baillie Gifford Shin Nippon**, **Capital Gearing**, **Schroder Oriental Income** and **Green REIT**.

Money returned in October

	(£m)
Scottish Mortgage	20.9
NB Global Floating Rate Income	17.1
Scottish Investment Trust	11.1
BH Global	7.8
Templeton Emerging Markets	7.0

Source: Morningstar, Marten & Co, * approximate value of shares at 31/10/17

Scottish Mortgage bought back shares worth £20.9m during October. This is a trust that is normally known for issuing shares and so shareholders may be pleased that it has demonstrated that it is happy to mop up excess supply. **NB Global Floating Rate Income** and the other trusts in the list (**Scottish Investment Trust**, **BH Global** and **Templeton Emerging Markets**), are regular repurchasers of stock. No other fund bought back more than £5m worth during October, however.

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 £166.6 billion of funds under management and advice as at 30 June 2017*.



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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Portfolio developments

- **JZ Capital Partners** made two disposals
- **Caledonia** sold The Sloane Club
- **EJF** invested in TruPS securitisation
- **John Laing Infrastructure** bought a portfolio of PPP assets
- **VPC Speciality Lending** sold most of its exposure to Avant
- **Blue Capital Alternative Income** announced a sharp writedown in its NAV after 2017's catastrophes
- **Dunedin Enterprise** sold Kee Safety and Alpha Financial Markets Consulting
- **ICG Longbow** lent against a property in Kingston
- **CatCo Reinsurance** announced a sharp drop in its NAV but will seek to expand
- **Duke** agreed a new royalty finance deal
- **Foresight Solar** invested in Queensland
- **JPEL Private Equity** cashed in its Accela stake

Corporate news

- **Temple Bar** issued 30-year debt
- **K&C REIT** announced a major revamp and a fund raise
- **BlackRock Greater European** may list its shares in South Africa
- **Electra** is shrinking and changing its name
- **Merchants Trust** refinanced its debt
- **Qatar Investment Fund** said it would broaden its geographic remit

Property news

- **AEW Long Lease** bought an industrial estate in St Helens and a gym in Wandsworth
- **Tritax Big Box REIT** bought a distribution centre for Marks & Spencer and a Royal mail facility in Daventry
- **Alpha Real Trust** got planning permission for its Frankfurt data centre
- **Hammerson** bought the Cergy 3 shopping centre in Paris
- **LXi REIT** said it would fund the development of a store for Lidl and it bought a supported living portfolio
- **Empiric Student Property** sold a building
- **Triple Point Social Housing** made a number of acquisitions
- **F&C UK Real Estate** bought a distribution unit

Managers and fees

- **Witan** swapped Marathon and Crux for SW Mitchell
- **Henderson Far East Income** amended its fee structure
- **Volta Finance** cut its management fee
- **Jupiter US Smaller Companies** cut fees
- **Henderson EuroTrust** cuts fees
- **Baillie Gifford Japan** said Sarah Whitley is retiring

Property news (continued)

- **Secure Property Development** bought a Romanian logistics portfolio
- **Civitas** made a number of investments
- **Primary Health** invests in Falkirk
- **LondonMetric Property** buys a logistics site in Bedford
- **Globalworth** expands into Poland
- **GCP Student Living** funds another building at Queen Mary's

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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

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

Investment Companies announcing their full year dividends in October

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Scottish Oriental Smaller Companies	31/08/17	11.5	unchanged	6.77	0.59x
Redefine International	31/08/17	2.6	-18.7	2.75	1.06x
VinaCapital Vietnam Opportunity	30/06/17	4.8 cents ^a	First dividend	93 cents ^b	19.4x
Aberdeen Asian Smaller Companies	31/07/17	16.0	+52.4	19.31	1.21x
JPMorgan Global Emerging Markets Inc	31/07/17	4.9	unchanged	5.54	1.13x
BlackRock Greater European	31/08/17	5.45	+2.8	5.33	0.98x
Aberdeen Latin American Income	31/08/17	3.5	unchanged	4.77	1.36x
JPMorgan Smaller Companies	31/07/17	23.0	+25.7	24.24	1.05x
UK Mortgages	30/06/17	6.0	First full year	0.40 ^c	0.07x ^c
Manchester & London	31/07/17	9.0	-32.4	7.9	0.88x
Fidelity Asian Values	31/07/17	5.0	+11.1	6.06	1.21x
Schroder Japan Growth	31/07/17	3.5	+25.0	3.62	1.03x
New City High Yield	30/06/17	4.39	+0.7	4.66	1.06x
JPMorgan Emerging Markets	30/06/17	11.0	+22.2	12.75	1.16x
Henderson EuroTrust	31/07/17	25.0	+25.0	27.5	1.10x
TR European Growth	30/06/17	11.5+3.0 ^d	+26.1	17.09	1.18 ^d

Source: Marten & Co, * unless otherwise stated

- a) The board intends to pay at least this level of dividend at half yearly intervals for the foreseeable future.
- b) The company does not separate revenue and capital items within its earnings per share.
- c) It is estimated that the 6p dividend will not be covered by income until 2020.
- d) 11.5p plus a 3p special dividend, cover is calculated on the total dividend.

Research



Pacific Horizon

Top of the pops!

Pacific Horizon (PHI) has benefited strongly as both the Asia ex Japan region and technology stocks, to which PHI has a significant exposure, have rallied. This has seen it move up the competitor peer-group rankings so that it is first and second, in terms of NAV total return, over one and three years respectively.

PHI's manager, Ewan Markson-Stevenson, believes that the rising wealth of the middle class in Asia is likely to be the big driver of global growth over the next 25 years but that financial markets do not fully appreciate this yet. He expects to see a trend in global capital moving away from the US dollar, towards emerging markets, especially Asia, and a renaissance of the growth in these domestic economies. He believes that, while capital flows to the region are very capital, and says that any risk-off period (when nervous investors prefer investments that they perceive to be safe) will provide good buying opportunities for new all-time highs.

Focused on Asia ex Japan growth stocks

PHI invests in the Asia-Pacific region (excluding Japan) and in the Indian subcontinent, in order to achieve capital growth. The company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist entirely of quoted securities.

Year ended	Share price total return (%)	NAV total return (%)	MSCI AC Asia Ex Japan (%)	MSCI AC World total return (%)
30/09/13	4.1	1.7	8.0	17.4
30/09/14	17.8	15.6	8.1	11.3
30/09/15	(10.2)	(10.2)	(8.2)	(8.1)
30/09/16	33.8	37.1	36.2	30.6
30/09/17	35.9	29.3	18.8	14.8



On 30 October 2017 we published a note on Pacific Horizon – Top of the Pops! – that looked at the dramatic improvement in the performance of that trust as its bet on Asian technology paid off.



Henderson Diversified Income Trust

Dear Prudence

In the face of declining yields across its investment universe, the managers of Henderson Diversified Income Trust plc (HDV) have decided to take a pragmatic and sensible approach by refusing to chase higher yielding but riskier opportunities. Instead the trust is paying the price for prudence by cutting its dividend. The managers say many shareholders have been consulted and are supportive of this move.

High income from a flexible fixed income portfolio

HDV's objective is to seek income and capital growth such that, on a rolling annual basis, the total return on the NAV exceeds three-month sterling LIBOR plus 2%. It invests in a diversified portfolio of global assets including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The trust may also invest in high yielding equities and derivatives. The managers use borrowings to enhance returns.

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

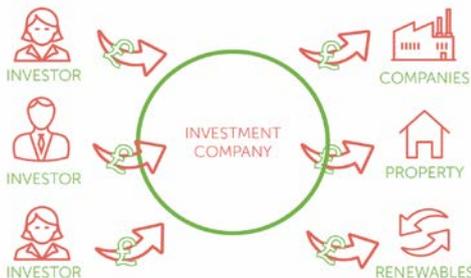
Year ended	Share price total return (%)	NAV total return (%)	Three-month sterling LIBOR plus 2% (1-yr. avg.) (%)
30/09/13	10.4	10.4	1.8
30/09/14	12.1	9.3	1.8
30/09/15	7.5	4.4	2.8
30/09/16	7.9	0.8	2.8
30/09/17	7.4	0.3	2.8

Source: Henderson Investors S.A. 10/11 to 10/09/2017. Henderson Diversified Income Trust. Three-month sterling LIBOR + 2% (1-yr. avg.) rate based on 10/09/2017.



On 2 November 2017 we published a note on Henderson Diversified Income – Dear Prudence – that looked at the reasoning behind the decision that the board and manager took to cut the fund's dividend rather than increase risk levels within the portfolio.

HDV Investors S.A. also used to prepare this note for Henderson Diversified Income Trust plc and is a for information purposes only. It is not intended to encourage the reader to enter into the securities or securities mentioned in this report. Please read the important information at the back of this note. QuotedData is a trading name of QuotedData S.A. Limited which is authorised and regulated by the FCA. QuotedData S.A. is not permitted to provide investment advice to retail investors.



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