

January 2018

Winners and losers in December

Best performing funds in price terms in December

	(%)
Infrastructure India	+27.3
Phoenix Spree Deutschland	+18.7
LXB Retail Properties	+16.7
Aberdeen Private Equity	+16.2
Taliesin Property	+12.9
FastForward Innovations	+11.6
Crystal Amber	+11.3
India Capital Growth	+10.8
Fundsmith Emerging Equities	+9.6
Baker Steel Resources	+8.7

Source: Morningstar, Marten & Co

Best performing funds in NAV terms in December

	(%)
Duke Royalty	+13.3
BlackRock World Mining	+11.2
Gulf Investment Fund	+11.1
JPMorgan Income & Capital	+10.1
Terra Capital	+9.3
El Oro	+8.6
City Natural Resources	+8.4
BlackRock Commodities Income	+8.4
Golden Prospect Precious Metals	+8.1
VinaCapital Vietnam Opportunity	+6.6

Source: Morningstar, Marten & Co

Infrastructure India's share price rose after it reiterated that it was in advanced talks about refinancing its debt. **Phoenix Spree Deutschland** sold €73m worth of properties. **LXB Retail Properties** sold two properties in Stafford. **Aberdeen Private Equity** said it would sell its entire portfolio. **Taliesin Property** said it had received a cash bid for the company. **Duke Royalty** issued new shares at a large premium to NAV, boosting the NAV per share for existing shareholders. Many of the other best NAV performances come from funds exposed to the mining and resources sector, funds such as **BlackRock World Mining**, **City Natural Resources** and **Baker Steel Resources** but, for the most part, this was not reflected in the fund's share prices. The sector had a good run on the back of soaring commodity prices. The Qatari stock market was strong, benefitting **Gulf Investment Fund**, as investors anticipated further infrastructure investment and a relaxation of property ownership laws. The Vietnamese

Worst performing funds in price terms in December

	(%)
Better Capital 2012	-29.4
EPE Special Opportunities	-25.4
Masawara	-19.7
Geiger Counter	-10.1
Schroder European Real Estate	-8.1
Leaf Clean Energy	-6.3
Blue Capital Alternative Income	-6.0
Duke Royalty	-6.0
Premier Global Infrastructure	-5.3
Livermore	-4.8

Source: Morningstar, Marten & Co

Worst performing funds in NAV in December

	(%)
EPE Special Opportunities	-27.1
British & American	-4.7
Rights and Issues	-2.8
NB Distressed Debt	-2.7
BB Healthcare	-2.3
Marwyn Value Investors	-2.2
Allianz Technology Trust	-2.1
Africa Opportunity	-1.6
Ecofin Global Utilities & Infrastructure	-1.5
Manchester & London	-1.0

Source: Morningstar, Marten & Co

market continues to attract attention from foreign investors, providing a strong finish to 2017 for **VinaCapital Vietnam Opportunities**.

Better Capital 2012's share price dived after it released its interim results showing a negative 40% total return for the six months to the end of September 2017. **EPE Special Opportunities** was one of only a handful of funds to see a meaningful dip in its NAV in December as, key holding, Luceco, issued a profit warning. **Masawara** will delist now that the largest shareholder has over 90% of the company. **British & American's** investment in Geron continues to see-saw in value. **Geiger Counter** bucked the trend in the resources sector and gave up the gains it made in November. **Schroder European Real Estate's** results were OK but its share price fell, possibly on the back of last month's manager change.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Dec (%)	30 Nov (%)
Phoenix Spree Deutschland	+33.1	+13.0
Aberdeen Private Equity	-2.3	-15.8
GCP Infrastructure	+18.7	+12.0
John Laing Environmental Assets	+12.1	+5.5
India Capital Growth	-8.1	-15.6

Source: Morningstar, Marten & Co

Phoenix Spree Deutschland sold €73m worth of properties. **Aberdeen Private Equity** said it would sell its entire portfolio. **GCP Infrastructure** is now one of the most expensive infrastructure funds but still boasts the highest yield in that sector. **John Laing Environmental Assets** bought a windfarm in December. India has been much highlighted by commentators as a place to invest for 2018 and **India Capital Growth** may have benefitted from this.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 Dec (%)	30 Nov (%)
Duke Royalty	+9.1	+31.2
Geiger Counter	+2.7	+17.5
Schroder European Real Estate	-8.3	0.0
JPMorgan Income & Capital	-7.6	-1.3
Jupiter Emerging & Frontier Income	+1.7	+7.6

Source: Morningstar, Marten & Co

Duke Royalty issued new shares at a large premium to NAV, boosting the NAV for existing shareholders, but its share price fell. **Geiger Counter** bucked the trend in the resources sector and gave up the gains it made in November. **Schroder European Real Estate's** results were OK but its share price fell, possibly on the back of last month's manager change. **JP Morgan Income & Capital's** NAV had a strong run but its share price did not keep pace.

Money raised and returned in December

Money raised in December

	(£m)
Globalworth Real Estate	€340
Aberdeen Standard European Logistics	187.5
BioPharma Credit	\$154
Ediston Property	88.7
International Public Partnerships	80.0

Source: Morningstar, Marten & Co, *approximate value of shares at 31/12/17

There were two new issues in December. **Aberdeen Standard European Logistics Income**, which will invest in 'big box' logistics and 'last mile' urban warehouses, raised £187.5m, even though a number of competing issues failed to launch. **CIP Merchant Capital**, which will apply private equity techniques to investing in smaller companies, raised £55.0m. By far the largest fundraise though was that of **Globalworth Real Estate** as it sought to expand from Romanian property into Poland. **BioPharma Credit** raised \$154m after announcing a number of new investments. **Ediston Property Income** bought four retail warehouse parks. **International Public Partnerships** used the proceeds of its share issue to pay down its debt. **Regional REIT** raised £73m to fund the acquisition of a portfolio of offices. **Real Estate Credit Investments** raised £20.5m. **Duke Royalty** raised £20m at a 25% premium to NAV. **Axiom European Financial Debt Fund** raised £16m through a placing. Other notable issues of shares were made by **Schroder Asia Total Return**, **Worldwide Healthcare**, **Baillie Gifford Shin Nippon**, **Primary Health Properties**, **RDI REIT**, **Finsbury Growth & Income** and **Capital Gearing**. Each of these issued at least £5m worth of shares.

Money returned in December

	(£m)
JPEL Private Equity	\$75.0
BlackRock Greater Europe	21.7
River & Mercantile Micro Cap	15.0
Pershing Square Holdings	13.3*
Edinburgh Dragon	8.0*

Source: Morningstar, Marten & Co, * approximate value of shares at 31/12/17

JPEL Private Equity made another compulsory capital redemption in December, returning \$75m. **BlackRock Greater Europe's** tender offer was undersubscribed. **River & Mercantile Micro Cap** returned £15m to its shareholders, in keeping with its policy of not allowing the size of the fund to exceed £100m. **Pershing Square** bought back shares worth £13.3m and **Edinburgh Dragon** £8m. Other notable repurchasers of shares were **Mercantile**, **Gulf Investment Fund** and **NB Global Floating Rate Income**.

There was quite a bit of tidying up in the sector during December. Shareholders of **Acencia Debt Strategies** approved its winding up on 29 December. **Trinity Capital** remains suspended pending the appointment of a liquidator. **Masawara** will cease to trade on AIM as its largest investor now holds more than 90% of its share capital. **Tejori's** shares stopped trading on AIM on 6 December and **Asian Growth Properties** on 20 December. **Ottoman Fund's** shares are suspended pending the publication of its accounts. It is trying to get this done by end February 2018.

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Portfolio developments

- **3i Infrastructure** added to its WIG investment, refinanced ESVAGT, sold its stake in Anglian Water and got a bid for Elenia
- **VPC Speciality Lending** sold its Prosper loans
- **Dunedin Enterprise** cashed in its Innova stake
- Prothema stake held back **Woodford Patient Capital**
- **Greencoat Renewables** made its first acquisition
- **EPE Special Opportunities** acquired a furniture business but was hit by a Luceco profit warning
- **NextEnergy Solar** bought two more plants
- **FastForward Innovations** said cannabis play, Nuuvera, would merge with Mira IX
- **Ranger Direct Lending** announced a further provision against its Argon exposure
- **John Laing Environmental** bought a windfarm in Wales
- **Scottish Mortgage** benefitted from the IPO of Denali
- **BioPharma Credit** acquired a royalty interest in two diabetes drugs
- **International Public Partnership** invested in a police HQ in Frankfurt

Corporate news

- **Aberdeen Private Equity**'s board called time on the fund
- **JPMorgan Elect** proposed adding gearing to its Managed Income pool

Property news

- **Tritax Big Box** bought a Unilever distribution centre
- **LXB Retail** sold property in Stafford
- **Ground Rents Income** commented on changes to leasing rules
- **MedicX** invested in Kilkenny
- **Phoenix Spree Deutschland** sold 34 properties
- **Warehouse REIT** bought a seven-asset industrial portfolio
- **Vinaland** sold Trinity Garden
- **Supermarket Income REIT** bought a Tesco in Cumbenauld

Managers and fees

- **RIT Capital** sold **Strategic Equity Capital**'s manager
- Sarah Emly, co-manager of both **JPMorgan Claverhouse** and JP Morgan Income & Capital, passed away
- **Empiric Student Property** has a new acting chief executive
- Sam Isaly left Orbimed, the manager of **Biotech Growth** and **Worldwide Healthcare**, after harassment allegations
- **Edinburgh Worldwide** got new deputy managers

Property news (continued)

- **Taliesin Property** received a cash bid
- **Civitas Social Housing** acquired a number of properties
- **Primary Healthcare Properties** made an investment in Cork
- **F&C Commercial Property** bought an office in Bristol
- **Local Shopping REIT** is pressing ahead with piecemeal liquidation of its portfolio
- **Real Estate Investors** sold a property in Birmingham
- **Hammerson** bid for **intu**
- **Shaftesbury** expanded in Broadwick Street
- **Triplepoint Social Housing REIT** made a number of acquisitions



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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.

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*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 December

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Dunedin Smaller Companies	31/10/17	6.39	+3.9	5.42	0.85x
BlackRock Income & Growth	31/10/17	6.6	+4.8	6.63	1.00x
Ecofin Global Utilities & Infrastructure	30/09/17	6.4	First year	4.75	0.74x ^a
Polar Capital Global Healthcare	30/09/17	3.4 ^b	-16.0		
Drum Income Plus REIT	30/09/17	5.5 ^c	+4.8	6.65	1.21x
Henderson Alternative Strategies	30/09/17	4.75	+25.0	5.23	1.10x
Lowland	30/09/17	49.0	+8.9	49.1	1.00x
Finsbury Growth & Income	30/09/17	14.2	+8.4	15.8	1.11x
GCP Infrastructure	30/09/17	7.6	unchanged	6.36 ^{d,e}	0.84x
JPMorgan Chinese	30/09/17	1.6	unchanged	1.16	0.72x
MedicX	30/09/17	6.0	0.8	3.5	0.58x
Scottish Investment Trust	31/10/17	20.0	+48.1 ^f	23.1	1.15x
JPMorgan Elect Managed Growth	31/08/17	11.0	+26.4	12.63	1.15x
JPMorgan Elect Managed Income	31/08/17	4.2	7.7	4.83	1.15x
Invesco Perpetual Enhanced Income	30/09/17	5.0	unchanged	4.5	0.90x
F&C Capital & Income	30/09/17	10.65	+3.4	11.71	1.10x
Schroder Asia Pacific	30/09/17	5.5	+17.9	5.69	1.03x
Baring Emerging Europe	30/09/17	32.0	+39.1 ^g	22.31	0.70x ^g
Schroder European Real Estate	30/09/17	€0.052 ^h	First year	€0.052	1.00x
Henderson European Focus	30/09/17	29.5	+11.7	33.81	1.15x
JPMorgan Asian	30/09/17	13.9	+363.3 ⁱ	3.93	0.28x ⁱ
Standard Life Equity Income	30/09/17	17.1	+11.0 ^j	19.23	1.12x

Source: Marten & Co, * unless otherwise stated

- Ecofin Global Utilities and Infrastructure's directors expect the company's net revenues available for distribution to increase over time as a result of a growth in income earned on the company's portfolio, helped by the continued use of gearing. This is expected to enable the company to increase the dividends paid to shareholders in due course.
- Polar Capital Global Healthcare was reconstructed during the year. The 3.4p total includes dividends paid on 28 February 2017, 9 June 2017 and 28 February 2018. In future they will be paying dividends in August and February, rather than quarterly as hitherto, reflecting their new investment objective. The new dividend policy will result in lower dividends in future given the focus on growth.
- In the absence of unforeseen circumstances, Drum Income Plus REIT's board continues to expect to pay dividends totalling at least 6.0 pence per share in respect of the year ending 30 September 2018.
- The company does not separate revenue and capital items within its accounts.
- Earnings per share were negatively impacted by having a material cash balance for a significant part of the year in anticipation of a transaction with the Green Investment Bank, which was delayed.
- Scottish Investment Trust's board's target is to declare three quarterly interim dividends of 5.0p, in the year to 31 October 2018 and recommend a final dividend of at least 5.0p for approval by shareholders at the Annual General Meeting in 2019.
- First year paying some dividend from capital: "The primary motivation for placing a greater emphasis on the dividend is to broaden the appeal of the company's shares, in particular to the group of investors to whom income is important".
- Schroder European Real Estate says that it is targeting an annualised euro dividend of 5.5% based on the euro equivalent issue price as at admission and remains on target to deliver this once fully invested. Based on the Euro:GBP exchange rate as at 30 September 2017, this would represent an annualised rate of 6.6% against an initial GBP1 invested at admission. This will be fully covered by contractual income receivable from the portfolio.
- JPMorgan Asian has implemented a new dividend policy. The fund aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equivalent to 1% of the NAV on the last business day of each financial quarter.
- The Standard Life Equity Income board has reviewed its dividend policy and is looking to spread the dividend payments more evenly in future. The board expects to increase the dividend in 2018 by a minimum of 5%.

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07 December 2017

Herald Investment Trust

Who wants to be a billionaire?
Herald, the small cap technology, communications and multimedia trust, recently passed a remarkable milestone. It has created more than £1bn for investors since it launched in 1994. Katie Potts, who has managed the fund over its entire life, points out that £96m was raised from investors (at launch and in subsequent issues). All of this and more has been returned via share buy-backs, yet Herald still has net assets of £952.3m (up from £791m at the start of 2017). 2017 has been good to Herald and to the sector in general. The trust's share price is up 35.4% year-to-date. Katie thinks that the UK stocks that form the core of the portfolio are still not excessively valued, especially given their potential for future profit growth. She says that it is this fact that distinguishes the current run of good performance from previous technology bull markets.

Small-cap technology, communications and multi-media
Herald seeks to achieve capital appreciation through investments in smaller listed companies, in the areas of technology, communications and multimedia. Investments will be made globally, although the portfolio has a strong position in UK stocks.

Year ended	Share price	Total return	Dividend	Dividend yield
2017/17	284.4	26.2	10.6	3.7
2016/16	216	27.7	12.5	5.8
2015/15	171.1	12.3	4.2	2.5
2014/14	114	7.1	3.6	3.1
2013/13	43.1	22.7	21.6	50.1

←

Herald Investment Trust has created £1bn of value for investors since launch. Our note – Who wants to be a billionaire? – celebrates this and tells the story behind some of the stocks that helped Herald get to this point.

→

Standard Life Private equity is celebrating a year which saw a marked narrowing of its discount and decent NAV returns.

QuotedData
Update | Investment companies
8 December 2017

Standard Life Private Equity

A good year; more to come?
With its recent results announcement, Standard Life Private Equity (SLPE) has posted decent returns (an NAV total return of 14.9% and share price total return of 31.9%). SLPE has benefited from strong trading in its underlying companies, a healthy market for exits, improving sentiment towards the private equity sector and a narrowing discount as more investors have selected it as a core holding for their private equity exposure. The manager expects that, in the absence of major shocks, the portfolio should continue to benefit from high levels of exit activity over the next twelve months. This could support further NAV growth.

Private equity fund of funds with a European bias
Standard Life Private Equity Trust aims to achieve long-term total returns through a diversified portfolio of private equity funds, the majority of which will have a European bias. Its portfolio is also more concentrated than those of most of its peers: the top 10 underlying private equity fund managers comprise 65% of the net asset value and the top 20 underlying companies represent 31.4%.

Like many private equity funds, SLPE has no formal benchmark, meaning the portfolio has been more closely compared to European small cap indices. The MSCI Europe Small Cap Index has been used as a means of comparison in this note.

Year ended	Share price	NAV	MSCI	MSCI	SLPE
2017/17	28.4	1.9	11.2	20.8	41.1
2017/14	12.9	0.9	11.2	15.3	1.9
2016/16	20.2	10.2	12.9	12.1	12.1
2015/15	20.2	10.3	11.9	17.8	27.4
2014/14	20.1	10.1	12.2	17.4	18.8



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