

Monthly roundup | Investment companies

August 2018

Winners and losers in July

Best performing funds in price terms in July

	(%)
Infrastructure India	29.6
EF Realisation	23.9
FastForward Innovations	20.0
John Laing Infrastructure	18.7
Lindsell Train	17.8
BlackRock Latin American	16.5
Better Capital PCC 2012	11.7
3i Infrastructure	11.1
HICL Infrastructure	10.6
Aberdeen Latin American Income	10.5

Source: Morningstar, Marten & Co

Best performing funds in NAV terms in July

	(%)
British & American	18.5
Blue Planet	14.3
BlackRock Latin American	12.9
JPMorgan Brazil	11.7
UIL	10.8
EF Realisation	9.7
Aberdeen Latin American Income	9.1
Hansa Trust	8.4
BB Healthcare	6.9
Geiger Counter	6.8

Source: Morningstar, Marten & Co

On the last day of July, **Infrastructure India** announced that it had agreed financing to enable one of its holdings, DLI to complete its investment programme. **EF Realisation's** NAV and price performance continues to be driven by the value of its shale oil investment. A cash offer was made for **John Laing Infrastructure** by a consortium at a premium to its share price and NAV. **3i Infrastructure** and **HICL Infrastructure** also rose on the news, as investors considered whether they could also be targets. The Brazilian equity market has been driven by politics; a long running hauliers strike ended. **BlackRock Latin American**, **Aberdeen Latin American Income**, **JPMorgan Brazil** and **Hansa** rallied as a result. **FastForward** announced that it would raise capital whilst its shares are trading at a premium. Click [here](#) for more on that story. **British & American** is always volatile

Worst performing funds in price terms in July

	(%)
EPE Special Opportunities	(16.4)
Dolphin Capital Investors	(10.4)
Gabelli Merger Plus+ Trust	(8.3)
JZ Capital Partners	(7.0)
Chelverton UK Dividend	(6.9)
Ground Rents Income	(5.9)
Alpha Real Trust	(5.8)
Terra Capital	(5.5)
Riverstone Energy	(5.3)
Independent	(5.0)

Source: Morningstar, Marten & Co

Worst performing funds in NAV in July

	(%)
Terra Capital	(5.7)
Artemis Alpha	(4.3)
JPMorgan Chinese	(4.0)
VietNam Holding	(3.6)
Fidelity China Special	(3.5)
City Natural Resources	(3.1)
Chelverton UK Dividend	(3.0)
Weiss Korea Opportunity	(2.6)
VinaCapital Vietnam Opp	(2.6)
Vinaland	(2.5)

Source: Morningstar, Marten & Co

EPE Special Opportunities redeemed 50% of its Unsecured Loan Notes. **Dolphin Capital** has sold a number of its property assets and its share price rebounded in August. **JZ Capital** and **Cheverton** both fell following weak performance reports. **Ground Rents Income** remains out of favour as investors worry about the future of UK leaseholds. **Alpha Real Trust** fell despite a director buying £1m of stock. **Artemis Alpha** wrote down the value of its holding in URICA. The war of words around the US plans to impose trade tariffs has hurt the performances of **JPMorgan Chinese** and **Fidelity China Special Values**. It has also had a negative impact on the NAV performances of **Weiss Korea Opportunity** and Vietnam-focused **VinaCapital Vietnam Opportunities**, **Vinaland** and **VietNam Holding**.

Significant moves in discounts and premiums

More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 July (%)	30 Jun (%)
FastForward Innovations	42.2	19.6
Lindsell Train	39.4	19.1
John Laing Infrastructure	14.1	-3.6
3i Infrastructure	18.7	7.4
HICL Infrastructure	8.1	-2.3

Source: Morningstar, Marten & Co

FastForward announced a number of new investments and a fundraise at a significant premium. British & American and Lindsell Train trade at a very high and volatile premiums, shifting almost monthly between the above two tables. A cash offer was made for John Laing Infrastructure at a premium to its share price and NAV. Other infrastructure funds rallied as a result, notably 3i Infrastructure and HICL Infrastructure, which moved to a premium from a discount.

Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	31 July (%)	31 Jun (%)
British & American	89.5	109.6
Blue Planet	-16.4	-1.5
Ashmore Global Opp USD	-34.8	-22.1
EPE Special Opportunities	-36.4	-23.9
Gabelli Merger Plus+ Trust	(9.3)	(1.2)

Source: Morningstar, Marten & Co

Ashmore Global Opportunities fund is in run-off and has returned a large amount of its capital to shareholders. Its discount has increased as it reaches the end of its windup process. EPE Special Opportunities redeemed 50% of its Unsecured Loan Notes. Gabelli Merger Plus+ Trust has been falling since it announced its manager would come off its board of directors. The fund has denied that he would also step down as portfolio manager.

Money raised and returned in July

Money raised in July

	(£m)
Tritax EuroBox Euro	300.0
Hipgnosis Songs	202.2
Greencoat Renewables	€111.0
Scottish Mortgage	66.1*
Renewables Infrastructure	64.2

Source: Morningstar, Marten & Co, *approximate value of shares at 31/07/18

Tritax EuroBox raised its maximum target of £300 million in an issue that was 'significantly oversubscribed'. Hipgnosis Songs Fund raised over £200 million. The third new issue in July was Ashoka India Equity, which did not make it into the top 5 largest raisers of money in July. It had to settle for launch proceeds of just £45.6m against a target of £100m. Greencoat Renewables raised €111m in an oversubscribed placing to refinance its revolving credit facility, allowing it to make further acquisitions. In the same sector, Renewables Infrastructure raised approximately £64.2m through a share issue to also pay down its revolving credit facility. Scottish Mortgage issued new shares to meet demand.

Money returned in July

	(£m)
Macau Property Opportunities	(28,8)
Terra Capital	(25,4)
Templeton Emerging Markets	(13,3)
NB Global Floating Rate Income	(10,8)
Mercantile	(8,2)

Source: Morningstar, Marten & Co, * approximate value of shares at 31/07/18

Macau Property Opportunities returned approximately £28.2m to shareholders via a compulsory redemption mechanism put in place by the Board in June. Terra Capital also returned USD36.8m via a compulsory partial redemption of shares. NB Global Floating Rate Income, Templeton Emerging Markets and Mercantile continued to repurchase shares.

July also saw the departure of Blue Capital Alternative Income and Alpha Pyrenees Trust.

Third Point Offshore scrapped its sterling share class but has the stock exchange to allow its dollar shares to be traded in both dollars and sterling.

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Portfolio developments

- **BioPharma Credit** makes new loan to TESARO
- **Middlefield Canadian Income** celebrates Enbridge pipeline approval
- **Invesco Income Growth** is a new dividend hero
- Autolus IPO boosts **Woodford Patient Capital** to top of the biotech specialist trust league in June
- **Oakley Capital** selling Damovo
- **John Laing Environmental** adds two anaerobic digestion plants
- **Better Capital** see-saws as Northern Aerospace deal approved
- **NextEnergy Solar** adds 10 solar plants to its portfolio
- **Hipgnosis Songs Fund** buys into The-Dream
- **GCP Infrastructure** on First Priority Housing
- **Caledonia** buys Cooke Optics
- **CIP Merchant Capital** makes its second and third investments
- **BBGI** buys stake in Canadian hospital
- **Polar Capital Healthcare** rejigs portfolio
- **Artemis Alpha** writes down URICA and sells Metapack
- **FastForward** into Factom and Intensity Therapeutics
- **3i Infrastructure** buys Tampnet stake

Corporate news

- **Phaunos** receives cash offer from Stafford Capital Partners
- **River and Mercantile Micro Cap** to return more cash
- Cash offer for **John Laing Infrastructure**
- **NB Private Equity** sets new dividend target
- **Regional REIT** plans bond issue
- **Montanaro UK Smaller Companies** plans 4% dividend
- **Lazard World Trust Fund** reports decent year as it introduces 6% yield
- **Infrastructure India** gets a £95.5m life line from PSA



NextEnergy Solar adds 10 solar plants to its portfolio

Property news

- **Regional REIT** sells industrial portfolio
- **LondonMetric Property** swaps M&S for Lidl
- **Empiric Student Property** on track to cover dividend in 2019
- **Workspace** sells Marshgate Business Centre
- **UK Commercial Property REIT** swaps Bristol office for Reading
- **Standard Life Investments Property Income** makes three acquisitions
- **RESI** becomes a Registered Provider

Managers and fees

- **Fidelity Special Values** lowers its fees
- **Templeton Emerging** adds another manager to team

Property news (continued)

- **LondonMetric Property** swaps Odeon for shed
- **Target Healthcare REIT** buys in Yorks and Lancs
- **Hibernia** sells Dublin office for €65.3m
- **NewRiver REIT** buys Hollywood
- **Primary Health Properties** makes its fifth acquisition in Eire
- **Residential Secure Income** buys flats in Luton
- **Supermarket Income REIT** buys Sheffield Morrisons store
- **Hammerson** sells Imperial and Fife Central Retail Parks
- **Vinaland** sells its last two investments
- **Hansteen** and **Warehouse REIT** talking about a deal
- **Aberdeen Standard European Logistics** buys Spanish warehouse
- **Schroder Real Estate** buys office property in Edinburgh and Nottingham



Vinaland sells its last two investments

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Standardised past performance to 30 June**:

	2014	2015	2016	2017	2018
Scottish Mortgage	28.9%	25.8%	4.9%	48.8%	33.4%
AIC Global Sector Average	15.8%	15.4%	3.5%	32.4%	17.8%

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 the investment in the fund and any income from it. Investors may not get back the amount invested. The Trust's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

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*Ongoing charges as at 31.03.18. **Source: Morningstar, share price, total return as at 30.06.18. 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 July

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue / earnings (pence)*	Cover
Invesco Income Growth	31/03/2018	11.05 ^a	7.2	11.9	1.1
Ruffer Investment Company	30/06/2018	1.8 ^b	0.0	1.8	1.0
Amedeo Air Four Plus	31/03/2018	8.25	0.0	39.1	4.7
Miton UK Microcap	30/04/2018	0.36	0.0	0.3	1.1
Henderson Diversified Income	30/04/2018	4.55 ^c	-0.1	4.2	1.1
Polar Capital Global Financials	31/05/2018	2.25	-42.3	2.9	1.3
TwentyFour Income	31/03/2018	7.23 ^d	3.4	13.4	1.9
Aberforth Split Level Income Trust	30/06/2018	4.00 + 0.60 ^e	-	5.4	1.4
Lazard World Trust	31/03/2018	18.22 ^f	27.5	11.85	0.65
F&C Managed Portfolio Income	31/05/2018	5.7 + 0.8 ^g	4.6	7.3	1.3

* unless otherwise specified

- Invesco Income Growth became an AIC 'dividend hero' in 2017 in recognition of having provided 20 years of consecutive dividend increases and the Board aspires to maintain this status.
- The company cut the interim dividend from 1.7p to 0.9p per share on 28 February 2017. At present it looks as if a total annual dividend of 1.8p will be sustainable, but the Directors will not hesitate to reduce the dividend again should this prove necessary
- On 7 September 2017 the Board announced its intention to rebase the dividend to no less than 1.10p per ordinary share on a quarterly basis, effective from the dividend payable in December 2017. This represented a reduction of 12% in the quarterly dividend and assumes that there is not a further significant fall in market yields. Cash dividend cover was 1.2x (1.1x when including scrip dividends). Target dividend of 6.65p per share for the 2018/19 financial year.
- TwentyFour Income has a target annual net total return on the NAV of between 6% and 9% per annum, which includes quarterly dividends with a target yield each financial year of 6% or higher, of the Issue Price
- Aberforth Split Level Income Trust declared a special dividend of 0.6p per Ordinary Share.
- In US cents - On 27 April 2018 Lazard World Trust announced a revision to its dividend policy which is effective for the financial year commencing 1 April 2018. Under the new policy, it is the Fund's intention to pay a total annual dividend equivalent to 6% of the Net Asset Value calculated at the start of each financial year, payable in equal quarterly instalments over the course of that year. During the year to March 31st, 2018 the dividend policy was to pay dividends twice a year that together amount to a total annual dividend equivalent to 3% of the Net Asset Value at the start of each financial year. For the year ended March 31st, 2018 this resulted in total dividend payments of 12.985p per share. For the financial year ended March 31st, 2019, under the new dividend policy, this will amount to a total dividend payment of 23.34p. - this is the Result of Operations, which is the sum of Net Investment Income, Total Net Realised Gain/(Loss) and Total Change in Unrealised Gain/(Loss).
- For the year ended 31 May 2018, four interim dividends have now been paid, totalling 5.7p per Income share (5.45p for the previous year). In addition, F&C Managed Portfolio Income declared a special interim dividend of 0.8p per Income share. This was made possible by the receipt of a special dividend from one of F&C Managed Portfolio Income's investee companies (3i Infrastructure) and indeed enforced by the need to retain no more than 15% of income under the retention test within the investment trust rules.

Publications

We spoke to the manager of Standard Life Private Equity to write an annual update. The company aims to achieve long-term total returns through a diversified portfolio of private equity funds, the majority of which will have a European focus.

Annual overview | Investment companies 17 July 2018

Standard Life Private Equity Trust

Putting capital to work

Following on from last year's compelling returns (an NAV total return of 14.5% and share price total return of 31.9%), Standard Life Private Equity's (SLPE) recent results show a modest NAV total return of 1.5%, over the six months to 31 March 2018. This is markedly ahead of the LPX Europe Index's return of -4.9%. Distributions from underlying companies have remained strong, enabling SLPE to make further new commitments. This has laid the foundation for the trust's future performance.

These aspects to expect for further investment, the aggregate level of commitments remains at the lower level of the manager's long-term range and the related debt facility can finance investments if needed. The manager continues to expect that, in the absence of major shocks, the portfolio should benefit from strong and active over the next 12 months. This would look well for further debt development.

Private equity fund of funds with a European bias

Standard Life Private Equity Trust aims to enhance 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 66.4% of the net asset value and the top 30 underlying companies represent 30.3%.

Like many private equity funds, SLPE has no formal benchmark. Historically, portfolio returns have tended to move in the same direction as European small cap indices. For that reason, the MSCI Europe Small Cap Index is a means of comparison in this note.

Year	SLPE	MSCI Europe Small Cap Index
2008/9	10.8	8.0
2009/10	12.7	7.8
2010/11	8.0	5.4
2011/12	40.0	20.1
2012/13	12.8	8.5

Source: MSCI, 2018.4.1

Standard Life Private Equity Trust is a closed-ended investment vehicle. It is not intended to be a primary investment vehicle for investors. It is not intended to be a primary investment vehicle for investors. It is not intended to be a primary investment vehicle for investors.

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International Biotechnology Trust

Outperformance and income

Under the leadership of its manager, Carl Harald Janson, International Biotechnology Trust (IBT) is building a track record of outperformance of both its benchmark, the Nasdaq Biotechnology Index and the average of its peer group (see page 13 of this note for the figures).

The biotech sector, which IBT focuses on, benefits from long-term structural growth drivers (listed on page 3) such as ageing populations in the developed world and an emerging middle class in developing nations. After a weak start in 2018, the Nasdaq Biotechnology Index has now recovered. The manager believes that the "American Patient's First" document issued by the US government on May 11 reduced potential concerns over drug pricing.

IBT aims a regular dividend 4% of the NAV, payable in two instalments - see page 14 for more detail. This was introduced to allow IBT to appeal beyond capital growth, to investors that may also have an income requirement.

Access to the fast-growing biotech sector

IBT is the longest-established of the London-listed funds specialising in the biotechnology sector. It aims to achieve long-term capital growth by investing in biotechnology and other life sciences companies and offers investors the highest yield in the sector while keeping its day-to-day running costs low. The portfolio is invested primarily in listed companies but IBT also has some exposure to unlisted companies.

Year	IBT	NASDAQ Biotech	MSCI World	MSCI World
2008/9	13.7	22.1	31.7	12.2
2009/10	40.0	19.9	19.1	12.9
2010/11	13.2	13.4	17.7	14.4
2011/12	14.1	12.1	14.8	11.4
2012/13	8.3	8.9	8.2	8.8

Source: MSCI, 2018.4.1

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We published our initiation note on International Biotechnology Trust, entitled "Outperformance and Income". IBT is the longest-established of the London-listed funds specialising in the biotech / healthcare sector. It aims to achieve long-term capital growth by investing in biotechnology and other life sciences companies and offers investors the highest yield in the sector while keeping its day-to-day running costs low.

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