

## July 2020

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### Winners and losers in June

The median total share price return from investment companies was 2.8% (it was 3.1% in May) – year-to-date they are still down (11.5%). Perceived value was found in Latin American and sectors such as structured debt, which have been amongst the worst affected, UK property funds and the private equity sector had difficult months, once again.

Please refer to the ‘appendix’ section for a comprehensive list of sector-specific performance. Readers interested in the most recent briefings from the industry can click [here](#) to access our economic and political roundup.

#### Best performing sectors in June by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount 30/06/20 (%)	Median discount 31/05/20 (%)	Number of companies in the sector	Median sector market cap 30/06/20 (£m)
Debt - Structured Finance	11.1	0.1	9.6	(8.7)	(18.3)	7	153
Latin America	9.4	5.4	3.1	(10.2)	(13.4)	2	81
Asia Pacific	9.1	9.1	0.4	(8.8)	(9.1)	8	305
Technology & Media	7.8	7.7	0.1	(0.1)	(0.1)	2	1,832
Global Emerging Markets	7.7	6.5	2.3	(11.1)	(13.4)	16	233

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies. \*Note: Many alternative asset sector funds release NAV performance on a quarterly basis

#### Worst performing sectors in June by total price return

	Median share price total return (%)	Median NAV total return (%)	Change in median discount (%)	Median discount 30/06/20 (%)	Median discount 31/05/20 (%)	Number of companies in the sector	Median sector market cap 30/06/20 (£m)
Property - UK Residential	(2.5)	0.0	(4.9)	(15.9)	(11.0)	7	368
Property - UK Commercial	(1.1)	0.0	(3.5)	(32.4)	(28.9)	17	277
UK Equity & Bond Income	(1.0)	0.5	(1.5)	(11.0)	(9.5)	2	112
Growth Capital	(0.4)	0.0	(3.2)	(19.7)	(16.5)	4	309
Private Equity	0.4	0.0	3.0	(32.3)	(35.3)	22	184

Source: Morningstar, Marten & Co. Note: Taking into account sectors with at least two companies. \*Note: Many alternative asset sector funds release NAV performance on a quarterly basis. \*Note: average sector return used

The two constituents of the technology & media sector, **Allianz Technology** and **Polar Capital Technology**, had another good month – extending the sector’s lead, as the year’s best performer to date (see ‘Appendix 1’). The ongoing re-opening of economies across the Asia Pacific region, is being met with greater flows into regional and country-specific strategies.

## Winners and losers continued...

### Best performing funds in NAV terms in June

	(%)
Golden Prospect Precious Metals	18.2
Fidelity China Special Situations	16.3
Weiss Korea Opportunity	16.1
JPMorgan China Growth & Income	15.9
Scottish Mortgage	14.1
JPMorgan Brazil	12.5
Pacific Horizon	12.2
Premier Global Infrastructure	11.1
Templeton Emerging Markets	10.8
Baillie Gifford US Growth	10.8

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/05/20

### Best performing funds in price terms in June

	(%)
Crystal Amber	33.6
JPMorgan Brazil	29.8
Marwyn Value	25.2
Dolphin Capital	24.0
Amedeo Air Four Plus	23.2
Blackstone/GSO Loan Financing	23.1
Fair Oaks Income 2017	21.7
Syncona	20.8
Axiom European Financial Debt	19.7
UIL	19.7

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/05/20

**Golden Prospect Precious Metals'** performance reflects the renewed popularity of gold as a hedge. In both price and NAV terms, the trust has been the best performing investment company, over the first half of the year (YTD). **Crystal Amber** led share price returns in June, after an investigation by the UK's Serious Fraud Office, into De La Rue, one of the fund's largest holdings, was ended. The continued reopening of the Chinese economy, is benefitting **Fidelity China Special Situations**, **JPMorgan China Growth & Income** and **Pacific Horizon**. Flows into export-oriented South Korea picked up, benefitting **Weiss Korea Opportunity**. South Korea has also been comparatively much less affected by the pandemic. **Scottish Mortgage** is having a stellar year, with its shares and NAV both up by more than 40%. The fund continued to trim its allocation to older tech giants, like Alphabet and Facebook, over June. Even after this month's rise, **Amedeo Air Four Plus's** shares are still down over 50%, YTD. The company leases four A350 aircraft to Thai Airways, which is going through a major debt restructuring. Structured debt companies, **Blackstone/GSO Loan Financing** and **Fair Oaks Income 2017**, had better months. The pandemic has been acutely felt by those debt funds with exposure to collateralised loan obligations (CLOs). These funds tend to invest in instruments that bear the first losses but get paid high rates of interest. Loan fund, **Axiom European Financial Debt**, has been one of the most resilient funds in its sector.

### Worst performing funds in NAV terms in June

	(%)
Geiger Counter	(10.8)
Chelverton UK Dividend	(6.0)
European Opportunities	(5.0)
ICG Enterprise	(4.8)
NB Distressed Debt New Global	(4.3)
Augmentum Fintech	(3.6)
Vietnam Enterprise	(2.5)
VietNam Holding	(2.4)
Aberforth Split Level Income	(1.9)
Montanaro UK Smaller Companies	(1.8)

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/05/20

### Worst performing funds in price terms in June

	(%)
BMO Commercial Property	(21.3)
Schroder Real Estate	(19.0)
Schroder UK Public Private	(12.4)
GCP Student Living	(10.5)
Macau Property Opportunities	(10.5)
Standard Life Investment Property Income.	(9.4)
Invesco Perpetual UK Smaller Companies	(9.3)
CC Japan Income & Growth	(8.7)
SQN Asset Finance Income	(7.8)
Alternative Income REIT	(7.8)

Source: Morningstar, Marten & Co. Note: Filters out trusts with market cap below £15m at 31/05/20

**Geiger Counter's** NAV led declines, though its premium widened, as its share price did not react much. Production cuts have been pushing the uranium price higher, this year. Property strategies filled up many of the slots in these tables, once more, led by **BMO Commercial Property**. Its office and retail portfolio has been under pressure, pushing its discount to over 50%. **Schroder Real Estate** has been similarly impacted, with its price performance and the movement in its discount, mirroring BMO Commercial Property, over the YTD. The prospect of far fewer higher education international students and the implication of socially distanced learning next year, continued to weigh down **GCP Student Living**. Declines in **Schroder UK Public Private** and **Augmentum Fintech** followed very strong performances over May. Private equity sector company, **ICG Enterprise**, reported quarterly NAV numbers over June. The sector has been underperforming, reflecting what is expected to be a considerable slowing in distributions and the prospect of falling NAVs once investments are repriced. The gearing within split capital trusts, **Chelverton UK Dividend** and **Aberforth Split Level Income**, has been amplifying NAV declines. They have been among the worst performers over the YTD.

## Significant moves in discounts and premiums

### More expensive relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Jun (%)	31 May (%)
Crystal Amber	(1.9)	(35.5)
Syncona	32.5	9.7
Fair Oaks Income 2017	(0.7)	(18.3)
Blackstone/GSO Loan Financing	(13.6)	(29.1)
RTW Venture	18.0	2.9
Riverstone Energy	(12.8)	(25.9)
Axiom European Financial Debt	(0.7)	(13.5)
JPMorgan Brazil	(9.4)	(21.5)
Alpha Real Trust	(20.6)	(31.6)
UIL	(36.2)	(46.5)

Source: Morningstar, Marten & Co

**Crystal Amber's** discount narrowed sharply, as discussed above. There is a built-in lag, as it reports NAV on a monthly basis. **Syncona's** shares climbed sharply higher in the last week of June, after raising additional capital for its Freeline holding, at a higher value. **Riverstone Energy's** NAV is down by considerably more than its shares over the YTD. A higher oil price has allowed the shares to more than double from their March trough. **JPMorgan Brazil** was one of June's best performers, in price terms. The Bovespa Index had its best quarter since 2003, in spite of Brazil being amongst the worst affected countries, by the pandemic. Weakness in the sovereign bond market is said to have pushed domestic investors back into stocks.

### Cheaper relative to NAV (notable changes)

	% discount (-ve) or premium (+ve)	
	30 Jun (%)	31 May (%)
BMO Commercial Property	(49.3)	(35.6)
Schroder Real Estate	(49.3)	(37.4)
CC Japan Income & Growth	(14.9)	(6.0)
GCP Student Living	(27.0)	(18.5)
Majedie	(19.6)	(11.2)
Invesco Perpetual UK Smaller Cos	(16.8)	(8.8)
Schroder UK Public Private	(44.7)	(36.9)
Standard Life Inv. Property Income	(26.9)	(19.3)
Life Settlement Assets A	(9.1)	(2.2)
Henderson International Income	(3.1)	3.5

Source: Morningstar, Marten & Co

**BMO Commercial Property** and **Schroder Real Estate** were discussed in the last section. **Standard Life Investments Property Income** was similarly affected. **CC Japan Income & Growth** has bucked the trend in what has otherwise been a resilient year for Japanese equities. The trust has a relatively high exposure to the industrials sector (close to 30% of the portfolio). **Majedie** was the worst performing fund in the global sector, over the first half of the year, in both NAV and price terms. Its 'value' style is firmly out of favour. **Schroder UK Public Private's** discount widened despite its largest investment Rutherford Health announcing plans to create a network of world-class clinical trial sites for the development of new cancer treatments.

## Money raised and returned in June

### Money raised in June

	(£m)
SDCL Energy Efficiency Income	110
Scottish Mortgage*	50
Edinburgh Worldwide*	29
Smithson*	29
Impax Environmental*	22

Source: Morningstar, Marten & Co. \*Note: based on approximate value of shares at 30/06/20

There was a net inflow of nearly £240m, led by renewables company, **SDCL Energy Efficiency Income's**, £110m placing. It had been looking for £60m. We wrote about it on 19 June. Elsewhere, new money continued to follow performance, as **Scottish Mortgage** continued to generate interest. A further 10 funds raised £10m or more, led by **Edinburgh Worldwide**, **Impax Environmental**, **Personal Assets**, and **Worldwide Healthcare**.

### Money returned in June

	(£m)
Pershing Square*	(30)
Witan*	(24)
Fidelity China Special Situations*	(21)
Diverse Income*	(17)
Alliance*	(14)

Source: Morningstar, Marten & Co. \*Note: based on approximate value of shares at 30/06/20

**Pershing Square** has been buying back stock as part of its commitment to narrow its discount. The other notable purchasers of stock were **Witan**, **Fidelity China Special Situations**, **Diverse Income** and **Alliance Trust**.

## Major news stories over June – from our website

### Portfolio developments

- **NextEnergy** was hit by falling power prices
- It was reported that **Syncona's** Freeline holding might IPO. Elsewhere, **Syncona's** Autolus holding presented clinical data
- Brazilian exposure depressed **Hansa's** returns
- **HarbourVest Global Private Equity** discussed the PE market
- Standard Life Private Equity took a modest hit to its NAV in March
- We looked at the fall in **Sequoia's** NAV
- **JLEN** set out its plans for the future
- **Lindsell Train** outperformed, again
- **SQN Asset Finance** discussed its future plans
- **Aberdeen Japan** said the pandemic's impact had been less severe in the country
- **Montanaro European** reported annual results. It is the sector's best performer over three and five years
- **JZ Capital** said it would suspend NAV announcements until circumstances allow it to make informed judgements as to value
- **Hipgnosis Songs** said its NAV increased 17.7% in an update head of its annual results
- **Fidelity China** has been shrugging of the virus
- It has been a dramatic year for Biotech Growth
- Biotech fund, **RTW Venture**, invested in Athira Pharma
- We looked at how **Odyssean** has been navigating the crisis well
- **HICL Infrastructure** completed investments worth £103m

### Corporate news

- **India Capital Growth** received the backing it needed for continuation
- **Gabelli Value Plus+**'s directors advised shareholders to vote against continuation
- **SDCL Energy Efficiency** is set for expansion after a successful year
- **Polar Capital Technology's** managers reflected on the evolution of video games: from niche pastime to mainstream entertainment
- **Chenavari Toro** Income announced measures aimed at narrowing persistent discount
- **JPMorgan Multi Asset** announced it would be maintaining its dividend

### Property news

- **Civitas Social Housing** had a good year
- **Schroder European REIT** halved its dividend
- Student accommodation company **Unite** raised £300m
- **Empiric Student Property** appointed a chief executive
- **Intu**, the biggest shopping centre owner in the UK, went into administration
- **PRS REIT** declared a dividend after resilient performance through Covid-19
- **YEW Grove REIT** said it collected 97% of its rents over the second quarter
- **CEIBA** said Cuba was close to reopening its borders and tourism industry
- **SEGRO** raised a whopping £680m in a placing

### Managers and fees

- There was a manager change at **JPMorgan Indian**
- **Templeton Emerging Markets** announced a modest change to its fees

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## Income

### Investment companies announcing their full year dividends in June

Fund	Year ended	Dividend (pence)*	Change over year (%)	Revenue/earnings (pence)*	Cover
Aberdeen Japan	31/03/20	15.0	+177.8	8.1	0.54x
Baillie Gifford UK Growth	30/04/20	3.1	+5.1	3.8	1.23x
BlackRock Smaller Companies	29/02/20	32.5	+4.2	37.1	1.14x
BMO Global Smaller Companies	30/04/20	1.7	+3.0	1.7	1x
Edinburgh	31/03/20	28.7	+2.3	27.8	0.97x
Gresham House Strategic	31/03/20	22.9	+15.0	(174.3) <sup>a</sup>	N/A
JLEN Environmental Assets	31/03/20	6.7	+2.3	(2.1) <sup>a</sup>	N/A
JPMorgan Euro. Smaller Companies	31/03/20	6.7	Nil	6.8	1.01x
JPMorgan Global Core Real Assets	29/02/20	1.5	N/A <sup>b</sup>	(2.8) <sup>a</sup>	N/A
JPMorgan Japan Smaller Companies	31/03/20	17.7	(1.7%)	0.8	0.05x
JPMorgan Multi-Asset	29/02/20	4.0	Nil	4.1	1.03x
Lindsell Train	31/03/20	44.0	+49.2	53.0	1.20x
Miton UK Microcap	30/04/20	0.1	(50.0)	0.06	0.6x
Monks	30/04/20	2.5	+35.1	4.2	1.68x
Montanaro European Smaller Companies	31/03/20	9.3	+2.8	11.9	1.28x
Montanaro UK Smaller Companies	31/03/20	5.3	+36.0	2.7	0.51x
NextEnergy Solar	31/03/20	6.9	+29.9	(3.0) <sup>c</sup>	N/A
RDL Realisation	31/12/19	326.8	+13.4	(0.3) <sup>c</sup>	N/A
RM Secured Direct Lending	31/12/19	5.0	(23.8)	(5.4)	N/A
SDCL Energy Efficiency Income	31/03/20	5.0	+400.0	5.2 <sup>a</sup>	1.04x
Seneca Global Income & Growth	30/04/20	6.7	+1.8	6.8	1.01x
Sequoia Economic Infrastructure Income	31/03/20	6.3	+4.2	(5.03) <sup>a</sup>	N/A
Shires Income	31/03/20	13.2	Nil	13.0	0.98x
Templeton Emerging Markets	31/03/20	21.6	+35.0	24.4	1.13x
Worldwide Healthcare	31/03/20	25.0	(5.7)	26.9	1.08x

\* Unless otherwise specific

- a) Basic and diluted earnings per share
- b) First annual results since incorporation on 22 February 2019
- c) Diluted earnings per share



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Standardised past performance to 31 December\*\*:

	2014	2015	2016	2017	2018
Scottish Mortgage	21.4%	13.3%	16.5%	41.1%	4.6%
AIC Global Sector Average	8.8%	10.9%	22.6%	24.1%	-4.9%

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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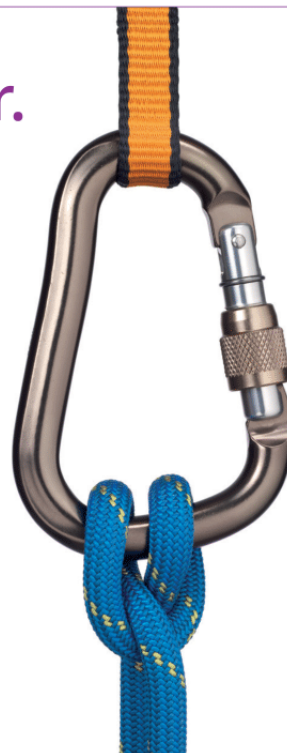
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## Upcoming events

Here is a selection of what's coming up. Please refer to the [Events](#) section of our website for updates between now and when they are scheduled:

- Mello Virtual Webcast, [11 July 2020](#)
- Dunedin Income Growth AGM 2020, [16 July 2020](#)
- Foresight Solar Fund AGM 2020, [16 July 2020](#)
- Syncona AGM 2020, [28 July 2020](#)
- Montanaro UK Smaller AGM 2020, [31 July 2020](#)
- Aberdeen New Dawn AGM 2020, [2 September 2020](#)
- Polar Capital Technology AGM 2020, [2 September 2020](#)
- UK Investor Show, [26 September 2020](#)
- The London Investor Show, [30 October](#)
- Sustainable & Social Investing Conference, [3 December](#)

### Covid-19 – Impact on Markets – [20 July 2020](#)

QUOTEDDATA WEBINAR

## Covid-19 – Impact on Markets

20th July



Schedule -  
 9:30am - 10:15am - James Thom from Aberdeen Standard Investments  
 10:15am - 11:00am - Tim Creed from Schroder UK Private Public Trust  
 11:00am - 11:45am - Dean Orrico from Middlefield Canadian Income



### Master Investor – the UKs largest private investor show – [5 December 2020](#)



## Research publications over June

Update | Investment companies
30 June 2020

### CQS New City High Yield

**Sitting pretty**

At the height of the market turmoil in March, CQS New City High Yield (NCYF) saw its share price fall faster and further than its NAV (to 27p), before rapidly recovering.

The market has been concerned about the ability of the issuers of the bonds held by NCYF to meet their obligations in the face of the covid-19 pandemic. However, with one small exception, all of NCYF holdings have met their obligations in full (no missed interest payments and no failures to repay loans when they fall due).

NCYF's manager acknowledges that challenges lie ahead but he observes that the world is making tentative steps to re-open for business, thereby avoiding some of the worst economic scenarios, and he expects that, with minimal exceptions, the price of NCYF's holdings will trend back towards their face value over time. If he is correct, this suggests that there remains significant capital appreciation potential on top of the attractive yield (9.4%) the fund currently offers.

**High-dividend yield and potential for capital growth**

NCYF aims to provide investors with a high-dividend yield and the potential for capital growth by investing mainly in high-yielding fixed interest securities. These include, but are not limited to, preference shares, loan stocks, corporate bonds (convertible and/or nonconvertible) and government stocks. The company also invests in equities and other income-yielding securities. The manager has a strong focus on capital preservation and is conservative in the approach to growing NCYF's capital.

Year ended	Share price total return (%)	NAV total return (%)	MSCI World Index total return (%)
31/03/16	2.8	10.3	4.2
31/03/17	15.5	17.1	5.3
31/03/18	4.7	4.3	8.8
31/03/19	4.9	3.3	6.2
31/03/20	(12.4)	(12.2)	9.7

[Click here for our annual overview note](#)

With one small exception, all of CQS New City High Yield's (NCYF) holdings have met their obligations in full (no missed interest payments and no failures to repay loans when they fall due). Should economies continue to re-open, this suggests that there remains significant capital appreciation potential on top of the attractive yield (9.4%) the fund currently offers.

Investors in search of income have been hit hard by the COVID-19 crisis. Bond yields and interest rates have tumbled, and dividend cuts have proliferated. By contrast, the companies in Ecofin Global Utilities and Infrastructure Trust's (EGL) portfolio have proved relatively resilient.

Annual overview | Investment companies
25 June 2020

### Ecofin Global Utilities and Infrastructure Trust

**Resilient income**

Investors in search of income have been hit hard by the COVID-19 crisis. Bond yields and interest rates have tumbled, and dividend cuts have proliferated. By contrast, the companies in Ecofin Global Utilities and Infrastructure Trust's (EGL) portfolio have proved relatively resilient. In addition, when paying its dividend, EGL is able to use its distributable reserves to top up any shortfall in revenue that might occur.

The defensive attractions of the sector have been recognised and, as investors are drawn towards the trust, EGL is now raising shares to meet demand and prevent its shares from trading at an excessive premium to net asset value (NAV).

EGL's manager has been taking advantage of weak markets to build positions in selected opportunities at attractive valuations. This strategy is already bearing fruit. After a period where there have been few transactions, he expects to see more merger and acquisition activity as markets recover. This could prove beneficial to EGL's portfolio.

**Developed markets utilities and other economic infrastructure exposure**

EGL seeks to provide a high, secure dividend yield and to realise long-term growth, while taking care to preserve shareholders' capital. It invests principally in the equity of utility and infrastructure companies which are listed on recognised stock exchanges in Europe, North America and other developed (OECD) countries. It targets a dividend yield of at least 4% per annum on its net assets, paid quarterly, and can use gearing and distributable reserves to achieve this.

Year ended	Share price total return (%)	NAV total return (%)	MSCI World Index total return (%)
31/03/17	15.3	6.9	8.2
31/03/18	5.6	14.0	8.8
31/03/19	11.0	14.7	8.9
31/03/20	28.1	10.5	9.5

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Update | Investment companies
12 June 2020

### The North American Income Trust

**Purest access to US equity income**

US equity income-focused funds, like the North American Income Trust (NAIT), have not had to deal with the suspension of dividends in the way that their UK peers have. Though share buybacks have ceased, regulators in the US have not banned bank distributions in the way that they have elsewhere, while healthcare, NAIT's other major exposure, is holding up very well.

NAIT provides the purest access to North American income – its closest peer, BlackRock North American Income, allocates over 20% to Europe. NAIT's manager, Fran Rutledge, has taken advantage of recent market volatility, exiting some small-cap names with low earnings visibility in favour of what he considers to be better-quality names while they have been trading at cheap valuations. Meanwhile, NAIT has revenue reserves meaning 90% of last year's total dividend and the ability to supplement portfolio income through option writing, both of which provide investors with additional comfort over the dividend.

**Above average income and long-term growth**

NAIT's objective is to meet for above-average dividend income and long-term capital growth, mainly from a concentrated portfolio of S&P 500 US equities.

Year ended	Share price total return (%)	NAV total return (%)	MSCI USA Index total return (%)	S&P 500 Index total return (%)
31/03/16	11.1	10.8	5.4	5.8
31/03/17	33.9	30.8	28.4	31.6
31/03/18	15.0	8.7	4.2	10.3
31/03/19	12.2	7.1	7.5	8.9
31/03/20	(12.8)	(8.1)	(2.2)	14.4

[Click here for our annual overview note](#)

Though share buybacks have ceased, regulators in the US have not banned bank distributions in the way that they have elsewhere, while healthcare, The North American Income Trust's (NAIT) other major exposure, is holding up very well. NAIT provides the purest access to North American income – its closest peer, BlackRock North American Income, allocates over 20% to Europe.

COVID-19-related falls in markets have weighed on BlackRock Throgmorton Trust (THRG), although it has held up well relative to both its peer group and its benchmark. Its manager sees this as a defining moment for investors – one that could set the stage for many years to come.

Annual overview | Investment companies
10 June 2020

### BlackRock Throgmorton Trust

**Separating the wheat from the chaff**

COVID-19-related falls in markets have weighed on BlackRock Throgmorton Trust (THRG), although it has held up well relative to both its peer group and its benchmark. Its manager sees this as a defining moment for investors – one that could set the stage for many years to come.

Identifying industry change, investing in tomorrow's winners and shoring unsustainable business models are core parts of THRG manager Dan Whitelaw's investment process. He believes that the economic disruption associated with measures to control the virus will accelerate the pace of change in many industries. Good stock positions will be paramount to future returns.

**Both long and short positions in UK small- and mid-cap companies**

THRG aims to provide shareholders with capital growth and an attractive total return by investing primarily in UK smaller companies and mid-capitalisation companies traded on the London Stock Exchange. It uses the Names Smaller Companies Index (plus AIM stocks but excluding investment companies) as a benchmark for performance purposes, but the index does not influence portfolio construction. Unusually among listed UK smaller companies trusts, THRG's portfolio may include a meaningful allocation to short as well as long positions in stocks.

Year ended	Share price total return (%)	NAV total return (%)	Peer group total return (%)	Names Smaller Companies Index total return (%)	MSCI UK total return (%)
31/03/16	2.8	4.8	3.9	11.6	7.8
31/03/17	34.0	35.0	29.6	23.9	25.6
31/03/18	26.8	14.2	8.8	4.8	8.7
31/03/19	9.0	(2.2)	0.1	(7.0)	(2.5)
31/03/20	9.7	(24.1)	(10.6)	(12.1)	(13.2)

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## CQS Natural Resources Growth and Income

**Recovery on-hold, hold on**

The managers of CQS Natural Resources Growth Income Trust (CYN) say that the covid-19 pandemic has delayed, rather than ended, the recovery they were seeing in the mining sector. After sharp falls in March, share prices have recovered some of their losses, but the managers believe there is much more to go for.

China and the rest of Asia is tentatively emerging from lockdown. While a 'V'-shaped recovery for the economy looks unlikely, the market is looking through this shock already, whilst the long-term fundamentals that support commodities remain intact. The managers say that real demand for commodities has been growing and a reduction in capital expenditure has seen capacity removed from the market. This has been exacerbated by the pandemic. The managers believe that, as we move beyond this phase, commodities and mining companies could see their share prices move up quickly, as demand recovers. If they are correct, now may be a good entry point for investors who are prepared to be patient and are able to look through the volatility.

**Capital growth and income from mining & resources**

CYN aims to provide investors with capital growth and income by investing in a portfolio that predominantly comprises mining and resource equities, as well as mining, resource and industrial fixed interest securities. The fixed income securities include, but are not limited to, preference shares, loan stocks, corporate bonds (convertible and/or redeemable) and government bonds.

Year ended	Share price total return (%)	NAV total return (%)	Composite total return (%)	Economic total return (%)	MSCI World total return (%)
31/03/16	8.50	8.85	14.80	12.60	1.3
31/03/17	26.4	21.5	25.0	28.7	32.2
31/03/18	13.0	13.4	19.4	28.5	8.5
31/03/19	(23.7)	(21.4)	(1.5)	(5.0)	5.9
31/05/20	(8.7)	(13.3)	7.4	(0.2)	8.5

China and the rest of Asia is tentatively emerging from lockdown. While a 'V'-shaped recovery for the economy looks unlikely, the market is looking through this shock already, whilst the long-term fundamentals that support commodities remain intact. We explore this in our latest note on CQS Natural Resources Growth and Income (CYN).

GCP Infrastructure will be 10 years old in a few weeks. The yield premium that GCP delivers relative to UK government debt securities has increased significantly over the past decade.

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## GCP Infrastructure

**Rebased dividend**

GCP Infrastructure will be 10 years old in a few weeks. Since 2012, it has paid a stable 7.5p per year dividend backed largely by UK public sector cashflows and achieved modest growth in net asset value (NAV). The yield premium that GCP delivers relative to UK government debt securities has increased significantly over the past decade (see page 2).

GCP's board wants to ensure that the company's next decade is as successful as the last. That has meant reassessing the fund's objectives and risk tolerances. The board has determined that, following an extensive review of the sustainability of the dividend, the company will target a dividend of 7.5p from 1 October 2020.

**Public sector-backed, long-term cashflows from loans used to fund UK infrastructure**

GCP aims to provide shareholders with regular, sustained, long-term distributions and to preserve capital over the long term by generating exposure primarily to UK infrastructure debt and related and/or similar assets which provide regular and predictable long-term cashflows.

GCP primarily targets investments in infrastructure projects with long term, public sector-backed, availability-based revenues. Where possible, investments are structured to benefit from partial inflation-protection.

Year ended	Share price total return (%)	NAV total return (%)	Earnings per share (pence)	Adjusted earnings per share (pence)	Dividend per share (pence)
30/09/16	15.8	9.6	5.36	5.41	7.6
30/09/17	1.9	8.1	6.38	5.29	7.6
30/09/18	4.8	8.8	6.04	6.54	7.6
30/09/19	8.0	6.3	6.74	6.26	7.6
30/09/20	n/a	n/a	n/a	n/a	7.6

## Guide

Our independent guide to quoted investment companies is an invaluable tool for anyone who wants to brush up on their knowledge of the investment companies' sector. Please register on [www.quoteddata.com/](http://www.quoteddata.com/) if you would like it emailed to you directly.



## Appendix 1 – median performance by sector

	Share price total return YTD* (%)	NAV total return YTD* (%)	Share price total return June (%)	NAV total return June (%)	Change in discount (%)	Discount 30/06/20 (%)	Discount 31/05/20 (%)	Market cap 30/06/20 (£m)
Technology & Media	32.6	33.1	7.8	7.7	0.1	(0.1)	(0.1)	1,832
Insurance & Reinsurance Strategies	20.1	6.0	(7.1)	0.1	(14.2)	(21.2)	(7.0)	46
Biotechnology & Healthcare	16.0	16.0	1.9	1.5	(0.7)	(1.3)	(0.6)	488
Royalties	8.0	19.7	7.9	0.0	7.4	0.5	(6.9)	714
Hedge Funds	5.8	8.7	2.6	0.1	(2.1)	(21.2)	(19.1)	78
Growth Capital	5.5	1.4	(0.4)	0.0	(3.2)	(19.7)	(16.5)	309
Global Smaller Companies	3.8	7.9	1.2	1.5	(0.9)	(10.7)	(9.8)	860
Japanese Smaller Companies	0.7	5.1	0.5	1.5	0.0	(6.2)	(6.2)	121
Infrastructure	(0.0)	2.4	1.4	0.0	5.2	14.3	9.0	1,721
Liquidity Funds	(0.1)	0.6	0.2	0.3	(0.1)	(1.9)	(1.8)	4
Renewable Energy Infrastructure	(0.5)	2.7	1.8	0.0	3.2	12.5	9.3	498
Asia Pacific	(1.3)	0.3	9.1	9.1	0.4	(8.8)	(9.1)	305
Japan	(2.3)	0.9	1.8	0.7	(0.2)	(10.5)	(10.3)	224
Europe	(3.0)	1.0	6.4	5.4	(0.6)	(11.5)	(10.9)	308
Infrastructure Securities	(3.0)	5.1	4.3	6.5	0.0	(5.1)	(5.1)	87
Property - UK Healthcare	(5.4)	(3.5)	3.2	0.0	3.1	(2.8)	(5.9)	404
Property - Europe	(6.2)	3.1	5.3	1.0	10.8	(20.6)	(31.5)	247
Global	(6.7)	9.0	4.4	3.2	0.5	(5.2)	(5.7)	439
Commodities & Natural Resources	(7.1)	(2.1)	6.4	0.0	0.4	(15.0)	(15.4)	41
Debt - Loans & Bonds	(8.4)	(7.3)	4.8	2.0	3.1	(4.1)	(7.2)	118
Environmental	(8.9)	(4.9)	2.4	2.5	(5.8)	(10.9)	(5.1)	67
Global Emerging Markets	(9.3)	(2.0)	7.7	6.5	2.3	(11.1)	(13.4)	233
European Smaller Companies	(9.5)	(5.1)	3.8	3.5	(0.6)	(14.6)	(14.0)	386
Global Equity Income	(9.9)	(1.5)	2.2	4.5	(3.9)	(1.8)	2.1	380
Asia Pacific Income	(10.6)	(6.3)	7.7	5.7	2.1	(2.2)	(4.3)	413
<b>MEDIAN</b>	<b>(11.0)</b>	<b>(2.8)</b>	<b>2.3</b>	<b>1.4</b>	<b>0.0</b>	<b>(11.0)</b>	<b>(9.8)</b>	<b>204</b>
Country Spec. Asia Pacific ex Japan	(11.5)	(6.2)	6.5	6.3	3.0	(13.1)	(16.1)	237
Property - UK Residential	(12.1)	(7.3)	(2.5)	0.0	(4.9)	(15.9)	(11.0)	368
Flexible Investment	(14.7)	2.8	2.6	1.4	0.7	(6.4)	(7.1)	108
Country Specialist: Europe ex UK	(15.3)	(12.8)	(1.9)	1.9	(3.4)	(12.3)	(8.9)	276
Debt - Direct Lending	(15.4)	2.2	1.7	0.0	1.5	(25.4)	(26.9)	129
North American Smaller Companies	(15.6)	(7.1)	1.5	3.5	(1.4)	(11.6)	(10.2)	149
North America	(16.3)	(9.6)	3.2	1.8	(1.4)	(8.7)	(7.3)	231
Private Equity	(16.4)	(4.3)	0.4	0.0	3.0	(32.3)	(35.3)	184
Country Specialists: Latin America	(17.3)	(26.8)	29.8	12.5	12.1	(9.4)	(21.5)	20
Asia Pacific Smaller Companies	(17.7)	(10.8)	6.6	7.4	0.2	(15.9)	(16.0)	243
UK Equity Income	(20.4)	(18.6)	1.6	1.7	(0.1)	(7.2)	(7.0)	256
Financials	(22.5)	(11.9)	1.1	0.0	(2.2)	(24.5)	(22.3)	104
Property - Debt	(23.5)	1.8	0.0	0.0	4.4	(16.2)	(20.5)	87
European emerging markets	(23.7)	(17.5)	0.9	5.8	(2.6)	(11.4)	(8.9)	82
UK Smaller Companies	(24.2)	(15.7)	1.0	0.1	0.2	(14.6)	(14.8)	87
Property - Rest of World	(25.5)	2.5	3.3	0.0	(2.0)	(58.4)	(56.4)	46
Debt - Structured Finance	(26.9)	(10.0)	11.1	0.1	9.6	(8.7)	(18.3)	151
Latin America	(27.5)	(28.8)	9.4	5.4	3.1	(10.2)	(13.4)	81
UK All Companies	(27.5)	(23.3)	1.9	0.7	(0.5)	(10.3)	(9.8)	157
Global High Income	(28.2)	(23.6)	8.5	6.1	1.8	(23.4)	(25.2)	13
UK Equity & Bond Income	(29.0)	(24.0)	(1.0)	0.5	(1.5)	(11.0)	(9.5)	112

	Share price total return YTD* (%)	NAV total return YTD* (%)	Share price total return June (%)	NAV total return June (%)	Change in discount (%)	Discount 30/06/20 (%)	Discount 31/05/20 (%)	Market cap 30/06/20 (£m)
Property Securities	(29.8)	(14.4)	(4.3)	4.4	(6.2)	(14.2)	(8.0)	1,059
Property - UK Commercial	(30.7)	(0.1)	(1.1)	0.0	(3.5)	(32.4)	(28.9)	276
Unclassified	(31.9)	(32.2)	(5.3)	(5.3)	(3.5)	(5.5)	(2.0)	124
Leasing	(51.4)	5.0	4.6	0.0	3.2	(63.3)	(66.5)	109

Source: Morningstar, Marten & Co. \*Note: to 30/06/20

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