

April 2021

Monthly roundup | Investment companies

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Winners and losers in March

It feels as though the rotation from 'growth' to 'value' that began last November regained some momentum in March. Having been amongst the best performers over 2020, sentiment towards Chinese funds has deteriorated, China appears to be withdrawing stimulus, clamping down on lending and is targeting many of its leading companies with anti-monopoly probes. We note that the Association of Investment Companies (AIC) has made some changes to its sector classifications, headlined by the introduction of China/Greater China, India and Property – UK Logistics as separate sectors (see [Appendix 1](#) for a breakdown of how all the sectors have performed this year).

On balance, it was a good month for investment companies, March's median total share price return was 1.5% (the average was 2.4%) which compares with an increase of 0.7% in February. UK equity and property assets continued to rally while improved sentiment towards US cyclical sectors benefitted the North America sector, which includes a number of equity income strategies.

Readers interested in the most recent briefings from the industry can click [here](#) to access our economic and political roundup.

Best performing sectors in March 2021 by total price return

| | Median share price total return (%) | Median NAV total return (%) | Median discount 31/03/21 (%) | Median sector market cap 31/03/21 (£m) | Number of companies in the sector |
|--------------------------------|-------------------------------------|-----------------------------|------------------------------|--|-----------------------------------|
| North America | 7.5 | 6.4 | (5.0) | 263 | 6 |
| UK Equity & Bond Income | 7.2 | 5.9 | (9.5) | 130 | 2 |
| UK All Companies | 6.9 | 4.5 | (3.3) | 233 | 11 |
| India | 6.7 | 5.1 | (12.1) | 218 | 4 |
| Asia Pacific Smaller Companies | 5.9 | 2.9 | (11.3) | 335 | 3 |

Source: Morningstar, Marten & Co. Note: inclusive of sectors with at least two companies. Note: many alternative asset sector funds release NAV performance on a quarterly basis

Worst performing sectors in March 2021 by total price return

| | Median share price total return (%) | Median NAV total return (%) | Median discount 31/03/21 (%) | Median sector market cap 31/03/21 (£m) | Number of companies in the sector |
|---------------------------------|-------------------------------------|-----------------------------|------------------------------|--|-----------------------------------|
| China / Greater China | (9.4) | (6.2) | (1.1) | 504 | 3 |
| Leasing* | (6.3) | 0.0 | (43.9) | 96 | 6 |
| Biotechnology & Healthcare | (2.3) | (0.1) | 1.0 | 786 | 6 |
| Asia Pacific | (1.1) | (1.0) | (7.9) | 578 | 6 |
| Commodities & Natural Resources | (0.1) | 0.2 | (4.6) | 94 | 8 |

Source: Morningstar, Marten & Co. Note: inclusive of sectors with at least two companies. *many alternative asset sector funds release NAV performance on a quarterly basis

Winners and losers continued...

Best performing funds in total NAV (LHS) and price (RHS) terms over March 2021

| Fund | Sector | (%) | Fund | Sector | (%) |
|------------------------------|---------------------------------|------|-------------------------------|---------------------------------|------|
| Aberforth Split Level Income | UK Smaller Companies | 11.2 | Drum Income Plus REIT | Property - UK Commercial | 75.0 |
| Chelverton UK Dividend | UK Equity Income | 9.8 | BMO Private Equity | Private Equity | 26.7 |
| Fidelity Special Values | UK All Companies | 9.6 | Chelverton UK Dividend | UK Equity Income | 22.2 |
| North American Income | North America | 9.1 | Electra Private Equity | Private Equity | 18.1 |
| Merchants Trust | UK Equity Income | 9.1 | LMS Capital | Private Equity | 17.0 |
| Aberforth Smaller Companies | UK Smaller Companies | 8.6 | Geiger Counter | Commodities & Natural Resources | 15.4 |
| Middlefield Canadian Income | North America | 8.3 | Temple Bar | UK Equity Income | 15.4 |
| Securities Trust of Scotland | Global Equity Income | 7.9 | RIT Capital Partners | Flexible Investment | 15.4 |
| Fidelity European | Europe | 7.9 | BlackRock North American Inc. | North America | 12.9 |
| Geiger Counter | Commodities & Natural Resources | 7.7 | JPMorgan Mid Cap | UK All Companies | 12.7 |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/03/21

Worst performing funds in total NAV (LHS) and price (RHS) terms over March 2021

| Fund | Sector | (%) | Fund | Sector | (%) |
|--------------------------------|---------------------------------|-------|--------------------------------|---------------------------------|--------|
| UIL | Flexible Investment | (8.8) | FastForward Innovations | Private Equity | (31.5) |
| JPMorgan China Growth & Income | China / Greater China | (7.5) | Baillie Gifford China Growth | China / Greater China | (13.8) |
| Edinburgh Worldwide | Global Smaller Companies | (7.1) | Globalworth Real Estate | Property - Europe | (13.4) |
| Baillie Gifford US Growth | North America | (6.4) | Riverstone Energy | Commodities & Natural Resources | (13.4) |
| Biotech Growth | Biotechnology & Healthcare | (6.4) | KKV Secured Loan | Leasing | (12.7) |
| Baillie Gifford China Growth | China / Greater China | (6.2) | UIL | Flexible Investment | (11.6) |
| Pacific Horizon | Asia Pacific | (5.4) | Secured Income Fund | Debt - Direct Lending | (11.6) |
| Manchester & London | Global | (4.4) | Amedeo Air Four Plus | Leasing | (11.1) |
| Golden Prospect Precious Metal | Commodities & Natural Resources | (4.4) | JPMorgan China Growth & Income | China / Greater China | (9.4) |
| International Biotechnology | Biotechnology & Healthcare | (3.6) | Apax Global Alpha | Private Equity | (8.1) |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/03/21

The split capital structures operated by **Aberforth Split Level Income** and **Chelverton UK Dividend** has made them particularly strong beneficiaries of the ongoing rally in UK equities. We note that, as of 31 March, only **Geiger Counter** had a higher NAV return (minimum market cap of £15m) over the year-to-date. In fact, five of the 10 best performers, in NAV terms, were UK equity strategies. With the outlooks for many of their underlying cyclical sectors improving, North American income strategies, led by **North American Income**, performed well over March. Discounts have been narrowing across much of the private equity sector (arguably belatedly), with the majority of the underlying funds held by the fund of funds structures generating

distributions well ahead of forecasts. **BMO Private Equity** and **LMS Capital** began March trading at discounts of close to and over 40% of their most recently published NAVs, but these have narrowed since. **Drum Income Plus REIT**'s shares shot up after announcing a strategic review that could result in it selling off all its assets. It has traded at a persistent discount since launching in 2015. After faring so well over 2020, sentiment towards Chinese stocks has deteriorated over recent weeks. **Baillie Gifford China Growth** led share price declines in the newly segregated China/Greater China sector classification. As shown in the **Appendix** section, in share price terms, China/Greater China has been the third-worst performing sector this year. This is primarily being driven by profit taking as the Chinese government withdraws stimulus. Investors also seem to be withdrawing money from growth sectors such as tech and biotech, hitting **Baillie Gifford US Growth** and **Manchester & London Biotech Growth** and **International Biotechnology** have returned (9.5%) and (9.7%) over the year-to-date in share price terms, after a strong 2020. While UK property funds have been staging a comeback, this has not extended to Continental and Eastern Europe, where the vaccine rollout has been uneven. This was reflected in the share performance of **Globalworth Real Estate**. It is a major office-space investor in Poland and Romania.

Moves in discounts and premiums

More expensive (LHS) and cheaper (RHS) relative to NAV

| Fund | Sector | 31 Mar (%) | 28 Feb (%) | Fund | Sector | 31 Mar (%) | 28 Feb (%) |
|--------------------------------------|-----------------------------|------------|------------|-------------------------------------|------------------------------|------------|------------|
| Chelverton UK Dividend | UK Equity Income | 2.1 | (8.2) | FastForward Innovations | Private Equity | (12.0) | 28.6 |
| Schroder European Real Estate | Property - Europe | (26.0) | (34.1) | Secured Income Fund | Debt - Direct Lending | (24.5) | (14.6) |
| Geiger Counter | Commodities | 11.1 | 3.7 | Globalworth Real Estate | Property - Europe | (29.7) | (19.9) |
| Gore Street Energy Storage | Renewables | 10.7 | 3.9 | Baillie Gifford China Growth | China | 3.3 | 12.4 |
| Gresham House Strategic | UK Smaller Companies | (6.3) | (12.8) | Riverstone Energy | Commodities | (43.3) | (34.5) |

Source: Morningstar, Marten & Co. Note: excludes alternative asset funds where there was no recorded change to the NAV over the month

Schroder European Real Estate was the best performing European property fund in price terms over March, as investors saw value in the discount of (34.1%) and a yield above 7%, at the start of the month. Rent collection of 89% in the final quarter of 2020 was received positively and progress towards bringing the dividend back to its pre-COVID level has been encouraging, helped by the ability to dip into its capital following the timely sale of a Paris office block for a profit of around €70m. **Chelverton UK Dividend** was covered above while **Gresham House Strategic** has similarly benefitted from the marked improvement in sentiment. As of 31 March, only **Drum Income Plus REIT** has performed better than **Geiger Counter** over the year-to-date in share price terms. Uranium miners have been rallying considerably with Uranium supply constrained and demand benefitting from the increase in nuclear capacity across China especially, as part of its clean energy policy. It is also believed that the US and EU want nuclear to play an important part in the evolution of the energy composition mix. **Gore Street Energy Storage**'s premium widened following its update on the National Grid's new Dynamic Containment Service, which may have made battery storage a lot more lucrative.

Money raised and returned over March

Money raised (LHS) and returned (RHS) over March in £m

| Fund | Sector | £m raised | Fund | Sector | £m returned |
|---|--------------------------|-----------|-----------------------|---------------------------|-------------|
| Digital 9 Infrastructure | Infrastructure | 300.0 | UK Mortgages* | Debt - Structured Finance | (27.1) |
| Tritax EuroBox Euro | Property - Europe | 198.4 | Scottish Mortgage* | Global | (15.8) |
| LXI REIT* | Property - UK Commercial | 125.0 | Witan* | Global | (6.0) |
| Sequoia Economic Infrastructure Income* | Infrastructure | 110.0 | Troy Income & Growth* | UK Equity Income | (4.5) |
| Smithson | Global Smaller Companies | 65.0 | Schroder Real Estate* | Property - UK Commercial | (3.9) |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/03/21. *Note: based on the approximate value of shares at 31/03/21

Following on from Cordiant Digital Infrastructure's £370m IPO last month, Triple Point's Digital 9 Infrastructure got off the ground, raising £300m. While this was below their £400m target, the issue size is still a very good result. It will invest in a range of digital infrastructure assets, which deliver a reliable internet including (but not limited to) subsea fibre, data centres, terrestrial fibre, tower infrastructure and small cell networks (including 5G). Elsewhere, Tritax EuroBox led capital raising amongst the existing funds, bringing in £198.4m in an oversubscribed issue. The logistics sector has taken off since the pandemic with online retailing growing exponentially and businesses responding by shoring up their distribution networks. EuroBox's key developer relationships allow it access to investment opportunities that would never come to the market. Sequoia Economic Infrastructure Income's £110m of new capital will be used to pay down debt and expand the portfolio.

Returns of capital were led by UK Mortgages, Scottish Mortgage, Witan, Troy Income & Growth, and Schroder Real Estate.

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Major news stories and QuotedData views over March

Portfolio developments

- **SDCL Energy Efficiency Income** sealed a deal with the UK's largest operator of public electric vehicle charging points
- **HgCapital Trust** had a bumper year
- **RTW Venture** participated in financing rounds held by Ventyx Biosciences and Visus Therapeutics
- **BlackRock World Mining** had a great 2020
- **Mercantile** reflected on a difficult year and its optimism around the UK for 2021
- **India Capital Growth** began to reap the rewards of an improved process
- **BioPharma Credit** is to invest \$150m in senior secured loan agreement with LumiraDx
- We had inaugural results from **Octopus Renewables Infrastructure**
- It was a tough year for **BlackRock Latin American**
- **Apax Global Alpha** had a great year
- **JLEN Environmental Assets** made its third investment into battery storage systems
- **Aberdeen Smaller Cos Income** held its nerve through pandemic
- **Syncona** acted as a cornerstone investor in a US\$148m financing round for Gyroscope Therapeutics

Property news

- **Civitas Social Housing** achieved an investment-grade credit rating
- We also had a response from **Civitas** and **Triple Point Social Housing** to a regulator update
- **CEIBA** raised €25m in a convertible bond issue
- **Tritax EuroBox** was assigned investment grade credit rating by Fitch. It also raised €230m in oversubscribed placing
- **LXI REIT** bought seven foodstores for £85m

Corporate news

- **Digital 9 Infrastructure**'s IPO raised £300m
- **Strategic Equity Capital** scored a comfortable win in its continuation vote
- **Drum Income Plus REIT** is undertaking a strategic review
- **Fundsmith Emerging Equities** proposed an amendment to its investment objective and policy
- **Fair Oaks Income** published a prospectus on its reorganisation and placing programme proposals
- There was a shakeup at **JPMorgan Multi Asset**. It is changing its name to JPMorgan Multi-Asset Growth & Income
- **Chrysalis Investments** is looking to grow to fund its active pipeline of around £1bn

Managers and fees

- **Scottish Mortgage**'s manager James Anderson is to retire

QuotedData views

- There's more to emerging markets than China – 26 March
- Will Rishi's call for return to office impact sector? – 26 March
- Retiring gracefully – 19 March
- Property one year on from lockdown – 19 March
- Keeping the dividends flowing – 12 March
- Too late to save property's problem child? – 12 March
- Inflation fears making waves – 5 March
- Student digs top of the class for COVID rebound? – 5 March

Visit www.quoteddata.com or more on these and other stories plus in-depth analysis on some funds, the tools to compare similar funds and basic information, key documents and regulatory news announcements on every investment company quoted in London

Upcoming events

Here is a selection of what is coming up. Please refer to the Events section of our website for updates between now and when they are scheduled:

- Murray International Trust PLC online shareholder presentation, [13 April](#)
- Herald AGM 2021, [20 April](#)
- CVC Credit Partners European Opportunities AGM 2021, [22 April](#)
- The London Investor Show, [23 April](#)
- JPMorgan US Smaller AGM 2021, [26 April](#)
- Fidelity Japan presentation 2021, [26 April](#)
- Aberdeen Asian Income manager presentation 2021, [27 April](#)
- JPMorgan American manager presentation 2021, [28 April](#)
- Aberdeen Smaller Companies Income AGM 2021, [28 April](#)
- Pershing Square AGM 2021, [28 April](#)
- Greencoat UK Wind AGM 2021, [28 April](#)
- Witan AGM 2021, [28 April](#)
- BBGI Global Infrastructure AGM 2021, [30 April](#)
- Apax Global Alpha AGM 2021, [4 May](#)
- The Renewables Infrastructure Group AGM 2021, [5 May](#)
- Schroder Asian Total Return AGM 2021, [7 May](#)
- Aberdeen Asian Income AGM 2021, [12 May](#)
- Nippon Active Value Fund AGM 2021, [12 May](#)
- Temple Bar AGM 2021, [13 May](#)
- JPMorgan American AGM 2021, [14 May](#)
- Baillie Gifford Shin Nippon AGM 2021, [14 May](#)
- Fidelity Japan AGM 2021, [18 May](#)
- Riverstone Credit Opportunities Income AGM 2021, [19 May](#)
- Henderson High Income AGM 2021, [24 May](#)
- Sustainable & Social Investing Conference, [21 May](#)
- Axiom European Financial Debt AGM 2021, [19 July](#)

Interviews

Have you been listening to our weekly news round-up shows? Every Friday at 11 am, we run through the more interesting bits of the week's news and we usually have a special guest or two answering questions about a particular investment company.

| Friday | The news show | Special Guest | Topic |
|-------------|--|---------------------------------|------------------------------------|
| 6 November | RSE, LBOW, SONG, VIN | Michael Bonte-Friedheim | NextEnergy Solar |
| 13 November | RHM, VGEO, SHED, RDI | Roger Clarke | IPX Group |
| 20 November | THRG, MTE, UKML | Fran Radano | North American Income Trust |
| 27 November | SBO, NAVF, CCJI | Nicholas Weindling | JPMorgan Japanese |
| 4 December | PCFT, IVI, GPM | Denis Jackson & James Henderson | Law Debenture |
| 11 December | KIT, JUS, RTW | Steve Cook | Sequoia Economic Infrastructure |
| 8 January | Review of 2020 | Andrew McHattie | Review of 2020 |
| 15 January | GVP, SUPP, SBO | James Robson | RM Secured Lending |
| 22 January | SONG, JGC, RMMC | Adam Khanbhai | Strategic Equity Capital |
| 29 January | SLPE, FSFL, RSE | Philip Kent | GCP Infrastructure |
| 5 February | RHM, IPOs | Dean Orrico | Middlefield Canadian Income |
| 12 February | RTW, UKW, SEC, GVP | Alan Gauld | Standard Life Private Equity Trust |
| 19 February | JLEN, KKV, BH Global, EBOX/BOXE | Matthew Tillet | The Brunner Investment Trust |
| 26 February | LWDB, TIGT, BRFI, RDI | Nalaka De Silva | Aberdeen Diversified Inc. & Growth |
| 5 March | Review of February, CMHY, SEC, GSF, APAX | Nick Brind | Polar Capital Global Financials |

| | | | |
|----------|---------------------------------------|-----------------|--------------------------------------|
| 12 March | HOME, LXI, BBOX | Stuart Young | Phoenix Spree Deutschland |
| 19 March | CSH, APX, SUPR | Richard Moffitt | Urban Logistics REIT |
| 26 March | MATE, CHRY, DGI9, SYNC | Ross Teverson | Jupiter Emerging and Frontier Income |
| 9 April | Review of March, CBA, SEC, SEIT, SUPP | Neil Hermon | Henderson Smaller Companies |

And here is what is coming up:

| | | |
|----------|---------------|----------------------|
| Friday | Special Guest | Topic |
| 16 April | Hugo Ure | Troy Income & Growth |



SCOTTISH MORTGAGE INVESTMENT TRUST

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A company's ability to exhibit exponential growth lies at the heart of the **Scottish Mortgage Investment Trust**, managed by Baillie Gifford.

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Baillie Gifford's track record as long-term, supportive shareholders makes us attractive to a new breed of capital-light businesses. And our committed approach means we can enjoy a better quality of dialogue with management teams at transformational organisations such as Alibaba, Dropbox and Airbnb. So it is a case of who you know as well as what you know. Over the last five years the **Scottish Mortgage Investment Trust** has delivered a total return of 136.5% compared to 74.9% for the sector**.

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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*Ongoing charges as at 31.03.18. **Source: Morningstar: share price, total return as at 31.12.18. Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Company. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

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INVESTOR

Aberdeen New Dawn

Investment companies | Annual overview | 18 March 2021

An ESG Leader in Asian equities

Despite the difficulties of COVID-19, Aberdeen New Dawn (ABD) has provided very strong absolute and relative returns during the last 12 months. These are markedly ahead of its benchmark, the wider Asia ex Japan region and global equity markets more generally. Asia is emerging from the pandemic in a position of relative strength and ABD's manager thinks valuations are at attractive levels relative to global equities.

Until recently, ABD had also benefited from a narrowing of its discount. However, this has reversed and ABD's shares now trade on the widest discount in its sector. We think that this widening (into double digits) does not appear to be consistent with either ABD's absolute or relative performance. It may therefore present an opportunity for investors as markets settle as economic growth gathers pace this year.

Environmental, Social, and Corporate Governance (ESG) considerations play an increasingly important role in the manager's stock selection process. ABD's portfolio now merits a AA score from MSCI's ESG rating system, classifying it as a 'Leader' on ESG issues.

| Sector | Asia Pacific |
|------------------|--------------|
| Ticker | ABD LN |
| Base currency | GBP |
| Price | 339.8p |
| NAV | 369.8p |
| Premium/Discount | (11.3%) |
| Yield | 1.3% |

ABD's portfolio now has an 'AA' score from MSCI's ESG rating system, which classifies it as a leader on ESG issues.

James Thom says that he is really positive on the outlook for Asian markets.

The conventions that the ASI team are having with companies are increasingly positive, even in hard-hit markets such as India.

Capital growth from Asia Pacific ex Japan

ABD aims to provide shareholders with a high level of capital growth through equity investment in the Asia Pacific countries, excluding Japan. The trust holds a diversified portfolio of securities in quality companies spread across a range of industries and economies. ABD is benchmarked against the MSCI All Countries Asia Pacific ex Japan Index (in sterling terms).

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Vietnam's response to the COVID-19 pandemic has been very effective and, reflecting this, the International Monetary Fund (IMF) has predicted that it will post positive GDP growth of 1.6% for 2020, increasing to 6.7% this year and averaging 7.0% for 2021 to 2025. Indeed, Dynam Capital, Vietnam Holding's (VNH's) manager, believes that Vietnam will be one of the 20 largest economies in the world by 2050.

QuotedData
BY MARTEN & CO

INVESTOR

Vietnam Holding Limited

Investment companies | Annual overview | 17 March 2021

Leveraging Asia's rising star

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The manager has tilted the portfolio towards sectors such as banking (where exposure has moved from around 10% to 25%) and high-quality real estate, which it believes are well-positioned to capture the benefits of this growth. This strategy has already reaped some rewards, as VNH's banking stocks have been amongst its stronger performing holdings as markets have recovered.

| Sector | Country equivalent |
|------------------|--------------------|
| Ticker | VNH LN |
| Base currency | GBP |
| Price | 208.8p |
| NAV | 263.7p |
| Premium/Discount | (17.4%) |
| Yield | Nil |

Strong environmental, social and governance (ESG) issues.

Vietnam has been a standout success story in terms of its handling of COVID-19 (see page 8).

The manager believes that Vietnam will be one of the 20 largest economies in the world by 2050.

Capital growth from a concentrated portfolio of high growth Vietnamese equities

VNH aims to provide investors with long-term capital appreciation by investing in a portfolio of high-growth companies in Vietnam. These should come at an attractive valuation and demonstrate strong environmental, social and corporate governance awareness. It achieves this by investing primarily in publicly-quoted Vietnamese equities, but it can also invest in unlisted companies and can hold the securities of foreign companies if a majority of their assets and/or operations are based in Vietnam.

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INVESTOR

Jupiter US Smaller Companies

Investment companies | Initiation | 18 March 2021

Over the pond

From the beginning of April, Brown Advisory (Brown) is set to take over the management of Jupiter US Smaller Companies (JUS), following the retirement of the trust's long-standing manager, Robert Siddles. Back in December, when JUS's board announced its intention to appoint Brown, it said that the long and impressive track record of the new manager's US small-cap growth strategy, with annualised returns of 14.5% over 10 years, stood out in a highly competitive field. It also said that it believed that the appointment of Brown should lead to strong performance, a narrower discount and ultimately the ability to grow the company over time. With this major change now approaching, this note takes an in-depth look at JUS and explores the key changes that investors should expect to see. One key difference is that the portfolio will be managed from the US, rather than remotely from the UK.

| Sector | North American Smaller Companies |
|------------------|----------------------------------|
| Ticker | JUS LN |
| Base currency | GBP |
| Price | 1,346.8p |
| NAV | 1,482.8p |
| Premium/Discount | (10.2%) |
| Yield | Nil |

Soon to be renamed Brown Advisory US Smaller Companies Plc.

The new manager's US small-cap growth strategy has a long and impressive track record.

Brown Advisory believes in the power of compounding returns in good businesses.

Capital growth from a diversified portfolio of US smaller and medium-sized companies

JUS aims to provide investors with long-term capital growth by investing in a diversified portfolio primarily of quoted US smaller and medium-sized companies. Brown's long-term investment philosophy has three core tenets: to buy and act differently to exploit inefficiencies; and to focus on businesses that possess three qualities in particular: durable growth, sound governance, and scalable go-to-market strategies.

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From the beginning of April, Brown Advisory (Brown) is set to take over the management of Jupiter US Smaller Companies (JUS), following the retirement of the trust's long-standing manager, Robert Siddles. Back in December, when JUS's board announced its intention to appoint Brown, it said that the long and impressive track record of the new manager's US small-cap growth strategy, with annualised returns of 14.5% over 10 years, stood out in a highly competitive field. It also said that it believed that the appointment of Brown should lead to strong performance, a narrower discount and ultimately the ability to grow the company over time.

North American Income Trust (NAIT) stands apart amongst the AIC North America sector funds in combining an income focus with at least 90% of its portfolio invested in the US. NAIT's manager, Fran Radano, believes that this should work in its favour, as there is a good chance that the market rotation back into sectors with attractive valuations, like financials, will continue over the rest of 2021.

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BY MARTEN & CO

INVESTOR

The North American Income Trust

Investment companies | Annual overview | 11 March 2021

Well-positioned as rotation gathers pace

North American Income Trust (NAIT) stands apart amongst the AIC North America sector funds in combining an income focus with at least 90% of its portfolio invested in the US. NAIT's manager, Fran Radano, believes that this should work in its favour, as there is a good chance that the market rotation back into sectors with attractive valuations, like financials, will continue over the rest of 2021.

Fran expects a strong rebound in dividend growth, with most portfolio holdings expected to meet or exceed pre-pandemic earnings per share over 2021. The scope for an increase in the market's valuation of the portfolio holdings, coupled with a discount that is wider now than it was during the summer months of 2020, may represent an attractive opportunity.

Above-average income and long-term growth

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

| Sector | North America |
|------------------|---------------|
| Ticker | NAIT LN |
| Base currency | GBP |
| Price | 340.8p |
| NAV | 381.7p |
| Premium/Discount | (14.5%) |
| Yield | 4.8% |

Corporate earnings over the fourth quarter of 2020 were much better than expected.

NAIT's discount is currently wider than it was over the summer of 2020, which appears at odds with the decision markets have taken since November.

NAIT's significantly greater exposure to the US compared to its closest peers, BlackRock North American Income, could a competitive advantage if the pace of recovery in the US is brisker.

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Weiss Korea Opportunity Fund (WKOF) was one of the best-performing of all London-listed investment companies last year, and since its 2013 launch it has delivered more than twice the return of its performance benchmark index, the MSCI Korea 25/50 Index. WKOF has a unique investment approach within the investment company sector. Not only is it the only UK-listed fund offering investors dedicated access to South Korean stocks, it has also adopted a differentiated investment approach that seeks to profit from the valuation gap between the non-voting Korean preference shares that make up substantially all of its portfolio and the common shares issued by the same companies.

Aberdeen Emerging Markets Investment Company's (AEMC's) managers, Andrew Lister and Bernard Moody, note investors' new-found enthusiasm for emerging markets, now that they have been outperforming for a while. Their long experience of investing in the space tells them that now is a good time to be cautious. They have been taking profits on some positions and reallocating funds to areas that are yet to feel the full benefit of the change in sentiment toward the sector.

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 if you would like it emailed to you directly.



Appendix 1 – median performance by sector, ranked by YTD total price returns

| | Share price TR YTD (%) | NAV TR YTD (%) | Share price TR Mar. (%) | NAV TR Mar. (%) | Discount 31/03/21 (%) | Discount 28/02/21 (%) | Change in discount (%) | Market cap 31/03/21 (£m) | Number of companies in the sector |
|----------------------------------|------------------------|----------------|-------------------------|-----------------|-----------------------|-----------------------|------------------------|--------------------------|-----------------------------------|
| Commodities & Natural Resources | 13.7 | 3.3 | (0.1) | 0.2 | (4.6) | (2.9) | (1.7) | 94 | 8 |
| North American Smaller Companies | 9.2 | 8.8 | 5.8 | 3.4 | (3.3) | (5.3) | 2.0 | 217 | 2 |
| Debt - Structured Finance | 8.2 | 3.8 | 1.3 | 0.0 | (12.8) | (12.8) | 0.0 | 151 | 7 |
| Property - UK Logistics | 7.9 | 0.0 | 0.6 | 0.0 | 6.7 | 6.0 | 0.7 | 3,087 | 1 |
| UK Smaller Companies | 7.8 | 8.4 | 4.6 | 3.8 | (8.5) | (11.2) | 2.7 | 131 | 24 |
| North America | 7.6 | 10.2 | 7.5 | 6.4 | (5.0) | (6.4) | 1.4 | 263 | 6 |
| India | 7.4 | 6.3 | 6.7 | 5.1 | (12.1) | (12.5) | 0.4 | 218 | 4 |
| Asia Pacific Smaller Companies | 7.1 | 8.1 | 5.9 | 2.9 | (11.3) | (14.0) | 2.7 | 335 | 3 |
| UK Equity & Bond Income | 5.8 | 4.6 | 7.2 | 5.9 | (9.5) | (10.6) | 1.1 | 130 | 2 |
| Property - UK Commercial | 5.6 | 1.1 | 1.6 | 0.0 | (16.5) | (19.4) | 3.0 | 188 | 16 |
| Private Equity | 4.9 | 0.0 | 2.3 | 0.0 | (20.7) | (23.3) | 2.6 | 210 | 20 |
| Global Equity Income | 4.8 | 6.0 | 5.5 | 4.4 | (0.3) | (1.4) | 1.1 | 310 | 7 |
| Property - UK Residential | 4.8 | 0.8 | 0.6 | 0.0 | (3.0) | 0.0 | (3.0) | 274 | 9 |
| UK All Companies | 4.6 | 5.0 | 6.9 | 4.5 | (3.3) | (6.1) | 2.8 | 233 | 11 |
| Country Specialist | 4.4 | 6.7 | 2.5 | 2.4 | (13.6) | (14.1) | 0.5 | 281 | 5 |
| Growth Capital | 4.0 | 0.0 | 0.3 | 0.0 | (1.9) | (1.5) | (0.4) | 336 | 5 |
| UK Equity Income | 3.8 | 4.7 | 5.0 | 4.4 | (1.4) | (2.8) | 1.4 | 222 | 26 |
| Flexible Investment | 3.6 | 0.6 | 1.5 | 1.3 | (2.4) | (3.7) | 1.4 | 85 | 22 |
| Property - UK Healthcare | 3.2 | 1.5 | 2.8 | (0.7) | 5.9 | 3.0 | 2.9 | 471 | 2 |
| Property - Debt | 2.2 | 2.2 | 0.2 | 0.3 | (14.0) | (11.4) | (2.7) | 214 | 4 |
| Global Emerging Markets | 2.0 | 5.0 | 1.2 | 2.1 | (7.3) | (8.0) | 0.6 | 311 | 14 |
| Debt - Direct Lending | 1.6 | 1.6 | 0.2 | 0.7 | (7.8) | (8.9) | 1.1 | 103 | 10 |
| Royalties | 1.2 | (2.8) | 4.7 | 0.7 | 6.2 | 2.4 | 3.9 | 796 | 2 |
| Environmental | 1.2 | 1.4 | 0.0 | 1.4 | 0.9 | 0.4 | 0.5 | 67 | 4 |
| Debt - Loans & Bonds | 1.0 | 2.1 | 0.2 | 0.8 | (5.7) | (4.7) | (1.0) | 126 | 15 |
| Global | 0.9 | 1.6 | 2.4 | 1.9 | (4.5) | (6.6) | 2.1 | 423 | 17 |
| Hedge Funds | 0.7 | 1.3 | 1.3 | 0.6 | (16.9) | (15.8) | (1.1) | 55 | 11 |

| | Share price total return YTD (%) | NAV total return YTD (%) | Share price TR Mar. (%) | NAV total return Mar. (%) | Discount 31/03/21 (%) | Discount 28/02/21 (%) | Change in discount (%) | Market cap 31/03/21 (£m) | Number of companies in the sector |
|---|----------------------------------|--------------------------|-------------------------|---------------------------|-----------------------|-----------------------|------------------------|--------------------------|-----------------------------------|
| Europe | 0.2 | 3.5 | 3.8 | 3.9 | (9.8) | (9.7) | (0.1) | 387 | 8 |
| Financials | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 255 | 3 |
| Insurance & Reinsurance Strategies | 0.0 | 0.0 | 0.0 | 1.3 | (18.6) | (14.2) | (4.4) | 5 | 5 |
| Property - Europe | 0.0 | 0.0 | 0.0 | 0.0 | (7.6) | (13.0) | 5.4 | 285 | 7 |
| Property - Rest of World | (0.1) | 0.0 | 0.7 | 0.0 | (45.8) | (45.8) | 0.0 | 45 | 4 |
| Renewable Energy Infrastructure | (0.3) | 1.5 | 0.2 | 0.0 | 8.1 | 9.6 | (1.5) | 465 | 16 |
| Infrastructure Securities | (0.5) | 2.2 | 3.8 | 7.3 | (6.1) | (3.4) | (2.7) | 105 | 2 |
| European Smaller Companies | (0.6) | 1.4 | 1.7 | 1.9 | (11.3) | (11.3) | 0.1 | 554 | 4 |
| Japan | (1.4) | 1.9 | 3.5 | 3.6 | (8.8) | (8.8) | (0.1) | 272 | 6 |
| Biotechnology & Healthcare | (1.8) | (0.2) | (2.3) | (0.1) | 1.0 | 1.3 | (0.3) | 786 | 6 |
| Asia Pacific | (2.0) | 2.8 | (1.1) | (1.0) | (7.9) | (6.8) | (1.1) | 578 | 6 |
| Leasing | (2.3) | 2.0 | (6.3) | 0.0 | (43.9) | (38.8) | (5.1) | 96 | 6 |
| Global Smaller Companies | (3.0) | 5.2 | 0.9 | 0.0 | (7.6) | (10.1) | 2.5 | 1,294 | 5 |
| Infrastructure | (3.7) | 0.0 | 0.0 | 0.0 | 2.1 | 3.5 | (1.4) | 1,146 | 9 |
| Technology & Media | (4.8) | (0.6) | 0.9 | (1.4) | (4.6) | (6.5) | 1.9 | 1,162 | 3 |
| China / Greater China | (9.6) | (0.6) | (9.4) | (6.2) | (1.1) | (0.2) | (0.9) | 504 | 3 |
| Latin America | (10.2) | (7.0) | 2.0 | 3.5 | (10.1) | (8.3) | (1.9) | 88 | 2 |
| Japanese Smaller Companies | (10.9) | (4.7) | 1.3 | 3.5 | (4.8) | (5.5) | 0.7 | 148 | 5 |
| MEDIAN | 1.2 | 1.6 | 1.3 | 0.7 | (6.1) | (6.6) | 0.5 | 255 | 6 |

Source: Morningstar, Marten & Co



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