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BY MARTEN & CO

INVESTOR

Second quarter of 2021

Investment companies | Quarterly roundup | July 2021

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Finally on the mend

Global equity markets finally appear to be recovering after almost 18 months of extreme volatility and uncertainty. On average, even the losses on those funds in negative territory this quarter were muted by comparison with last year. UK assets are improving and many emerging market economies are proving more resilient against the pandemic than expected.

New research

Over the quarter, we published notes on Jupiter Emerging & Frontier Income, India Capital Growth, Tritax EuroBox, JPMorgan Japanese, Ecofin US Renewables Infrastructure, Civitas Social Housing, Temple Bar, Bluefield Solar Income Fund, (plus a flash note), CQS New City High Yield Fund, CQS Natural Resources Growth and Income, Montanaro UK Smaller Companies and Standard Life Investments Property Income. You can read all these notes by clicking on the links above.

In this issue

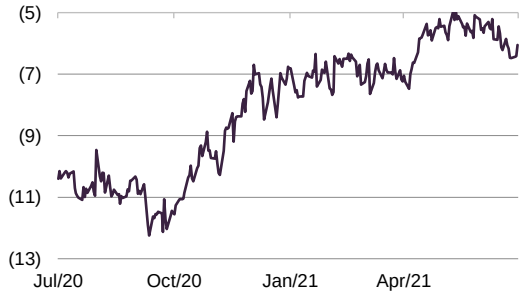
Performance data – Commodity funds ended the quarter wiping out almost all the gains made during the start of the year while growth stocks seem to be back in vogue after temporary concerns over inflation and rising interest rates. Investors fled India in April as it was hit by a second COVID-19 wave, though the country bounced back swiftly.

Major news stories – New leasing fund Taylor Maritime completed deployment of its IPO proceeds while Schroder UK Public Private made its first new investment since changing manager. Gresham House Strategic announced a strategic review, Lindsell Train updated its benchmark and performance fee, and Pacific Horizon's Ewan Markson-moved onto pastures new. In property news, St Modwen Properties was the subject of a £1.2bn cash offer.

Money in and out – The sector raised £1.8bn of net new capital over the second quarter of 2021, with notable fundraisings from Cordiant Digital Infrastructure and Digital 9 Infrastructure and new listings by Aquila Energy Efficiency and Literacy Capital.

All investment companies median discount

Time period 01/07/2020 to 30/06/2021

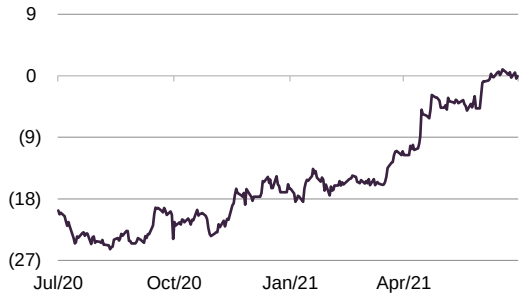


Source: Morningstar, Marten & Co

Discounts were fairly stable over the quarter, having recovered from last-year's COVID-related jitters.

Upward trajectory for European property trusts

Time period 01/07/2020 to 30/06/2021



Source: Morningstar, Marten & Co

Increasing enthusiasm for European property has helped narrow discounts in the sector over the past year. During Q2, some trusts benefited even further from specific events such as the end of Berlin's rent freeze, which boosted Phoenix Spree Deutschland's share price.

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Contents

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Winners and losers

Out of a total of 331 investment companies (we excluded funds with market caps below £15m), the median total NAV return over the second quarter of 2021 was 3.8% (the median total share price return was 6.2%).

By sector

Best performing sectors over Q2 2021 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 30/06/21 (%)	Median sector market cap 30/06/21 (£m)	Number of companies in the sector
Country specialist	14.5	16.3	(14.4)	251	6
UK smaller companies	11.3	10.5	(8.4)	152	24
UK equity & bond income	10.9	9.9	(8.1)	140	2
China / greater China	10.3	9.0	2.7	605	3
Latin America	10.2	11.9	(11.9)	97	2

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

UK assets continued to benefit from the vaccine rollout over Q2 along with what is promised to be a permanent full reopening of the economy. There has been a greater onus on supporting smaller businesses through the pandemic which may be reflected in the share price return of the UK smaller companies sector. The top performing sector however was Country specialist, largely thanks to strong performance from Vietnamese funds, which appeared to shrug off concerns over rising COVID-19 cases.

Worst performing sectors over Q2 2021 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 30/06/21 (%)	Median sector market cap 30/06/21 (£m)	Number of companies in the sector
Property – rest of world	(1.7)	0.0	(45.9)	44	4
Japan	(1.6)	(0.0)	(7.9)	273	6
Biotechnology & healthcare	(1.4)	1.2	(0.2)	827	6
Renewable energy infrastructure	0.5	1.5	7.4	421	17
Japanese smaller companies	1.2	2.3	(2.6)	148	5

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

Japanese funds suffered as the country has fallen behind on its vaccine rollout programme, despite the incentive to get the virus under control as it prepares to finally host the Olympic Games. But Property – rest of world funds (a number of

which are fairly low-quality) led declines, though these were minimal at a median share price loss of just 1.7%. By comparison, last quarter, the worst performing sector (Japanese Smaller Companies) was down 10.9%. On the whole, equity markets performed well having dropped so far over the past year.

Top 10 performers by fund

Best performing funds in total NAV (LHS) and price (RHS) terms over Q2 2021

Fund	Sector	(%)	Fund	Sector	(%)
VietNam Holding	Country specialist	29.6	Electra Private Equity	Private equity	65.9
Vietnam Enterprise	Country specialist	26.2	Riverstone Energy	Commodities & natural resources	33.9
Mobius Investment Trust	Global emerging markets	21.1	BMO Commercial Property	Property - UK commercial	29.6
VinaCapital Vietnam Opportunity	Country specialist	20.9	VietNam Holding	Country specialist	28.6
Chelverton UK Dividend	UK equity income	16.0	EPE Special Opportunities	Private equity	26.8
EPE Special Opportunities	Private equity	15.9	Mobius Investment Trust	Global emerging markets	26.0
India Capital Growth	India	15.8	Chrysalis Investments	Growth capital	25.8
BlackRock Greater Europe	Europe	15.4	NB Distressed Debt Inv Extended Life	Debt - loans & bonds	24.3
Scottish Mortgage	Global	15.2	Schroder Real Estate	Property - UK commercial	24.1
BlackRock Throgmorton	UK smaller companies	14.6	SME Credit Realisation	Debt - direct lending	23.3

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/06/21

As the sector performance section highlighted, country specialist funds led the way in NAV terms during Q2, with Vietnam mandates VietNam Holding, Vietnam Enterprise and VinaCapital Vietnam Opportunity, at the top of the charts. Domestic investors drove that market higher, encouraged by good earnings data for the first quarter of 2021. Despite the volatility in April, foreign direct investment swiftly returned to India in May and India Capital Growth did particularly well from the shift in sentiment towards small and mid-cap companies. More growth-focused funds such as Scottish Mortgage and BlackRock Throgmorton benefited from renewed worries about new virus variants which led investors back towards companies that could grow regardless of the strength of the economy.

In share price terms, Electra Private Equity continued to climb after a strong showing in April as the company approaches the final stage of its winding up. Meanwhile, Riverstone Energy made an impressive comeback despite annual results, released in February, that depicted a particularly tumultuous 2020 with poor returns. Chrysalis Investments has been busy raising further funds for its 'active pipeline of £1bn', and making the most of a 'buoyant tech IPO market' - having most recently invested £75m into leading retirement tech platform Smart Pension. A couple of commercial property funds also feature on the list. These were perhaps oversold and are rising in anticipation of an end to lockdowns.

Bottom 10 performers by fund

Worst performing funds in total NAV (LHS) and price (RHS) terms over Q2 2021

Fund	Sector	(%)	Fund	Sector	(%)
Gresham House Strategic	UK smaller companies	(36.8)	Secured Income	Debt - direct lending	(19.6)
Aberdeen New Thai	Country specialist	(4.7)	Ceiba Investments	Property - rest of world	(13.0)
TwentyFour Select Monthly Income	Debt - loans & bonds	(3.6)	Augmentum Fintech	Technology & media	(12.3)
EJF Investments	Debt - structured finance	(3.0)	Schroder UK Public Private	Growth capital	(9.6)
Secured Income	Debt - direct lending	(2.1)	JLEN Environmental Assets Group	Renewable energy infrastructure	(9.3)
JPEL Private Equity	Private equity	(1.2)	RTW Venture	Biotechnology & healthcare	(8.6)
BH Macro GBP	Hedge funds	(1.1)	Octopus Renewables Infrastructure	Renewable energy infrastructure	(7.2)
Hipgnosis Songs	Royalties	(1.1)	Symphony International	Private equity	(7.0)
Aberdeen Japan	Japan	(1.0)	JPMorgan Global Core Real Assets	Flexible investment	(6.5)
CC Japan Income & Growth	Japan	(1.0)	Jupiter Green	Environmental	(6.1)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/06/21

Gresham House Strategic was the worst performing trust in NAV terms during Q2 by a long stretch, as the only one making double digit losses. The company has had a challenging few months after announcing a strategic review in May and calls for its chairman to retire, which was followed by the dramatic resignation of one of its managers, Richard Stavely. Aberdeen New Thai continued to lag its benchmark after revealing lacklustre results in April, while BH Macro's NAV return has fallen ahead of its merger with BH Global (which also saw its NAV fall during Q2 by 0.4%).

In addition to being one of the ten worst performing funds in NAV terms during the second quarter of 2021, debt fund Secured Income was the worst performing in share price terms, having fallen by 20% in June after taking a knife to the valuations of its film financing portfolio. Cuban property fund, Ceiba slid as protests rocked the country. Meanwhile Augmentum Fintech's share price fell after it announced a significant fundraise in June, and Symphony International's restaurant and hotel investments continue to struggle in the face of the pandemic. Major shareholder AVI (managers of AVI Global) has vocalised its frustration with the company.

Significant rating changes by fund

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

Fund	Sector	30 Jun 2021 (%)	31 Mar 2021 (%)	Fund	Sector	30 Jun 2021 (%)	31 Mar 2021 (%)
Electra Private Equity	Private equity	20.9	6.1	Syncona	Biotechnology & healthcare	6.9	24.9
Phoenix Spree Deutschland	Property - Europe	0.1	(26.5)	Augmentum Fintech	Technology & media	7.0	33.3
BMO Commercial Property	Property - UK commercial	(21.7)	(39.2)	JLEN Environmental Assets Group	Renewable energy	8.4	18.9
Oakley Capital	Private equity	(9.7)	(25.8)	Geiger Counter	Commodities & natural resources	0.9	11.1
Riverstone Energy	Commodities & natural resources	(39.6)	(43.3)	Ceiba Investments	Property - rest of World	(32.1)	(18.8)
SME Credit Realisation	Debt - direct lending	(14.1)	(24.5)	RTW Venture	Biotechnology & healthcare	10.8	7.7
Schroder Real Estate	Property - UK commercial	(19.3)	(31.4)	Octopus Renewables Infrastructure	Renewable energy	7.4	17.2
PRS REIT	Property - UK residential	6.0	(8.1)	Schroder UK Public Private	Growth capital	(16.4)	5.7
Residential Secure Income	Property - UK residential	4.1	(10.9)	JPMorgan Global Core Real Assets	Flexible investment	(3.0)	5.3
JZ Capital Partners	Flexible investment	(59.8)	(73.8)	Bluefield Solar Income	Renewable energy	7.3	13.4

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/06/21

Getting more expensive

Discounts narrowed across much of the private equity sector in Q1 and this continued into Q2, as we continued to drive the message that we thought these funds were too cheap. Electra Private Equity and Oakley Capital led the narrowing in discounts. Property funds in the UK commercial and residential sectors also saw their discounts narrow. These included BMO Commercial Property, Schroder Real Estate, PRS REIT and Residential Secure Income, all of which have benefited from the economic re-opening.

Getting cheaper

Syncona's premium narrowed at the start of Q2 as sentiment moved against it following the announcement that one of its holdings, Gyroscope Therapeutics, was putting its planned IPO on hold. It is notable that RTW Venture, which has a similar approach also features on this side of the table. It was a tough quarter for the renewable energy infrastructure sector, with market declines led by JLEN Environmental Assets Group after it issued more shares, Bluefield Solar Income following its NAV fall and Octopus Renewables Infrastructure.

Money raised and returned

The 331 investment companies we follow raised £1.8bn of net new capital over the second quarter of 2021. There were three IPOs, starting with ship leasing trust Taylor Maritime Investments, which raised $254m in May. In June, renewable energy infrastructure mandate, Aquila Energy Efficiency raised £95m and Literacy Capital listed. It didn't raise any fresh capital at launch but currently has a market cap of about £116m

Money raised (LHS) and returned (RHS) in £m over Q2 2021

Fund	Sector	£m raised	Fund	Sector	£m returned
Digital 9 Infrastructure	Infrastructure	227.6	Scottish Mortgage	Global	(87.6)
Cordiant Digital Infrastructure C Share	Infrastructure	187.3	River and Mercantile UK Micro Cap	UK smaller companies	(37.9)
Gore Street Energy Storage Fund	Renewable energy	150.2	Witan	Global	(34.4)
Smithson	Global smaller companies	133.1	Weiss Korea Opportunity	Country specialist	(32.0)
Invesco Bond Income Plus	Debt - loans & bonds	127.7	Fair Oaks Income 2021	Debt - structured finance	(30.8)
Polar Capital Global Financials C Share	Financials	122.1	Third Point Investors USD	Hedge funds	(27.8)
Literacy Capital	Private equity	114.0	Alliance Trust	Global	(24.9)
Invesco Select UK Equity	UK equity income	108.8	SME Credit Realisation	Debt - direct lending	(21.9)
US Solar Fund	Renewable energy	97.0	UK Mortgages	Debt - structured finance	(19.3)
Aquila Energy Efficiency	Renewable energy	95.5	European Opportunities	Europe	(16.7)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/06/21

Money coming in

The biggest fundraising came from Cordiant Digital Infrastructure and Digital 9 Infrastructure, both of which only launched in Q1, but brought in a combined £420m during Q2 - making £1bn in total raised for these trusts this year. Both companies have substantial pipelines of new assets and we could easily see them come back again for more money later in the year. Polar Capital Global Financials capped a remarkable turnaround in its fortunes since last year's cash exit opportunity with a sizeable issue of C shares. Investors are backing banks once again and the sector is outperforming.

Money going out

Share buybacks were led by Fair Oaks Income, as holders of 13.4% of the fund elected to go into a realisation pool rather than rollover into an ongoing fund, River and Mercantile UK Micro Cap, which has a policy of handing back cash once its net assets exceed £100m, Scottish Mortgage and Witan.

Major news stories over Q2 2021

Portfolio developments

- Bluefield Solar bought a new UK based wind portfolio
- HgCapital's manager agreed the sale of its Allocate holding
- Chrysalis bought a leading retirement tech platform provider
- Taylor Maritime completed the deployment of its IPO proceeds
- Caledonia sold long-term holding Deep Sea Electronics
- VH Global Sustainable Energy Opportunities bought Brazilian solar
- Downing Renewables & Infrastructure announced plans to acquire Swedish hydropower company Elektra
- Schroder UK Public Private made its first new investment since the new manager's December 2019 appointment
- US Solar refinanced legacy loans in its Heelstone Portfolio
- Apax Global Alpha gained 'ultra-premium' pet food exposure
- Gore Street Energy Storage acquired a new project in Milton Keynes
- Menhaden was let down by its wide discount
- Henderson High Income was held back by gearing
- North American Income delivered a healthy revenue despite COVID
- Invesco Perpetual UK Smaller Companies was hit by dividend expectations

Corporate news

- BlackRock North American Income revealed a revised objective and name change to BlackRock Sustainable American Income
- An activist Investor publicised plans to block the continuation of Crystal Amber
- Round Hill Music Royalty announced a new C share placing
- Literacy Capital announced its intention to float
- FastForward Innovations proposed a name change
- New space fund Seraphim Space issued an intention to float and published its prospectus
- JPMorgan European Smaller Companies officially relaunched as JPMorgan European Discovery
- Augmentum Fintech revealed plans to amend its investment policy
- JZ Capital Partners called an EGM to issue loan notes to managers
- Gresham House Strategic announced a strategic review
- Aquila Energy Efficiency targeted an £150m IPO
- M&G Credit Income introduced a zero discount policy
- Third Point looked at ways to tackle its discount
- Merchants grew its dividend for a 39th year

Property news

- Tritax EuroBox acquired its first asset in the Nordics
- UK Residential REIT published its prospectus
- Sigma Capital Group reached an agreement on its takeover
- Home REIT invested the remainder of its IPO proceeds
- St Modwen Properties was subject of a £1.2bn cash offer
- UK Commercial Property REIT upped its dividend by 40%
- Helical collected 92.9% of rent during COVID
- AEW UK REIT won its legal battle over unpaid rent
- British Land moved into logistics development
- Impact Healthcare REIT acquired two care homes

Managers and fees

- Ewan Markson-Brown, co-manager of top-performing Pacific Horizon trust left Baillie Gifford
- Lindsell Train updated its benchmark and performance fee
- Richard Staveley left Gresham House Strategic
- Acorn Income announced plans to appoint BMO as manager following strategic review
- Alliance Trust announced stock picker changes
- Irish Residential Properties REIT highlighted plans to internalise its management team

QuotedData views

- Chinese private equity – 25 June
- Office needs to Flex muscles – 25 June
- Is property still a good hedge against inflation? – 18 June
- Step off the train? – 18 June
- Space! – the not so final frontier – 11 June
- Timid start for real estate stock exchange – 14 May
- Spotlight on logistics development – 7 May
- How the top 10 trusts have changed – 7 May
- Indian funds take stock – 30 April
- Rent Wild West needs a solution – 30 April

- Not all industrial is equal – 11 June
- REIT IPO to get excited about – 4 June
- On drugs – 4 June
- Got gas? – 28 May
- Warm fuzzy feelings? – 21 May
- Property funds to fall like dominoes? – 21 May
- Efficiency matters – 14 May
- Backing the future – 23 April
- Rent judgment good news for REITs – 23 April
- Money worries – 16 April
- British Land's bold move too late? – 16 April
- Shackles to come off in battle for unpaid rent – 9 April
- Go Green? – 9 April
- Go West! – 1 April

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.

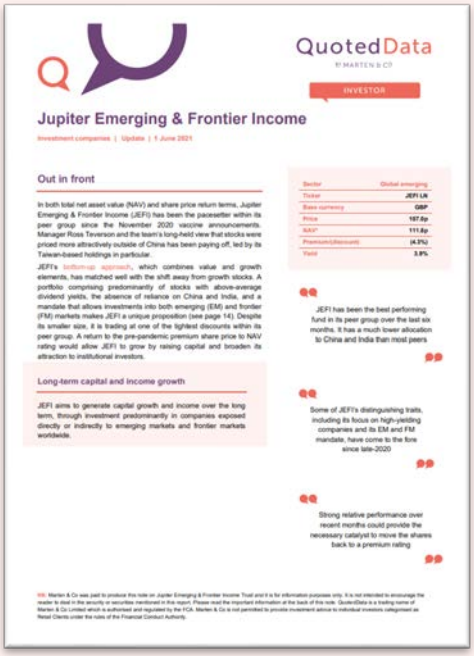
- Blackstone Loan Financing AGM 2021, 23 July
- Gresham House Strategic AGM 2021, 26 July
- TR Property AGM 2021, 27 July
- BlackRock North American EGM 2021, 29 July
- Syncona AGM 2021, 3 August
- JPMorgan Global Core Real Assets AGM 2021, 3 August
- Sequoia Economic Infrastructure Income AGM 2021, 4 August
- NextEnergy Solar Fund AGM 2021, 9 August
- SDCL Energy Efficiency Income AGM 2021, 10 August
- Montanaro UK Smaller Cos AGM 2021, 12 August
- Aberdeen New Dawn AGM 2021, 1 September
- JLEN Environmental Assets Group AGM 2021, 2 September
- Hipgnosis Songs AGM 2021, 15 September
- Henderson Diversified Income AGM 2021, 16 September
- Civitas Social Housing AGM 2021, 22 September
- Miton Global Opportunities AGM 2021, 6 October

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
16 July	AGT, ABD, SONG, PRSR, RHM	Nick Wood	Quilter Cheviot
9 July	AGT, DIGS	Matthias Siller	Baring Emerging EMEA Opportunities
2 July	GSS, PCFT, SHED, BSIF	David Conlon	GCP Asset Backed Income
25 June	AEMC, CRS, BOOK	Michael O'Brien	Fundsmith Emerging Equities
18 Jun	AUGM, LTI, MTE	Stephen Inglis	Regional REIT
11 Jun	CORD, DGI9, PHI	Stephanie Sirota	RTW Ventures
4 Jun	ARR, BHGG, BHGU, BHME, BHMG, BHMU, LTI, SCIN, WWH	Ben Ritchie	Dunedin Income Growth
28 May	GHE, SEC	Matthew Potter	Honeycomb
21 May	AIF, CORD, SBO	Georgina Brittan	JPMorgan Smaller Companies
14 May	NPSN, RMDL	Stuart Widdowson	Odyssean
7 May	JLG, JLIF, SIGB, SMP	Helen Steers	Pantheon International
30 April	AGT, DIG, HOME, GWIini	Nick Montgomery	Schroder Real Estate
23 April	AEWU, AIF, GSF, MNTN	James Harries	Securities Trust of Scotland
16 April	BLND, PSDL, SBO	Hugo Ure	Troy Income & Growth
9 April	Review of March, CBA, SEC, SEIT, SUPP	Neil Hermon	Henderson Smaller Companies
26 March	MATE, CHRY, DGI9, SYNC	Ross Teverson	Jupiter Emerging and Frontier Income
19 March	CSH, APX, SUPR	Richard Moffitt	Urban Logistics REIT
12 March	HOME, LXI, BBOX	Stuart Young	Phoenix Spree Deutschland
5 March	Review of February, CMHY, SEC, GSF, APAX	Nick Brind	Polar Capital Global Financials
26 February	LWDB, TIGT, BRFI, RDI	Nalaka De Silva	Aberdeen Diversified Inc. & Growth
19 February	JLEN, KKV, BH Global, EBOX/BOXE	Matthew Tillett	The Brunner Investment Trust
12 February	RTW, UKW, SEC, GVP	Alan Gauld	Standard Life Private Equity Trust
5 February	RHM, IPOs	Dean Orrico	Middlefield Canadian Income
29 January	SLPE, FSFL, RSE	Philip Kent	GCP Infrastructure
22 January	SONG, JGC, RMMC	Adam Khanbhai	Strategic Equity Capital
15 January	GVP, SUPP, SBO	James Robson	RM Secured Lending
8 January	Review of 2020	Andrew McHattie	Review of 2020

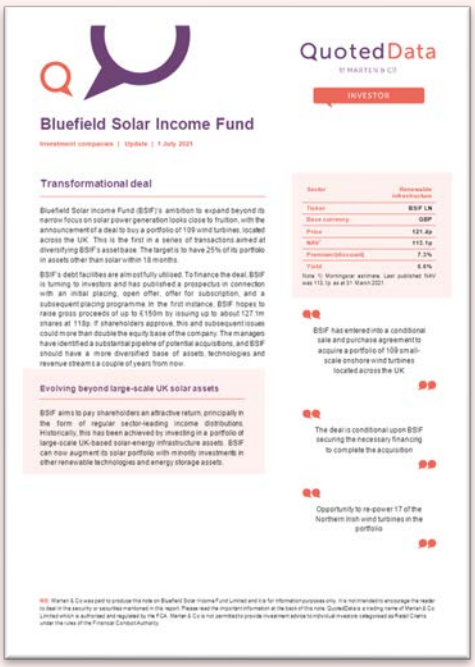
Research notes published over Q2 2021


Jupiter Emerging & Frontier Income

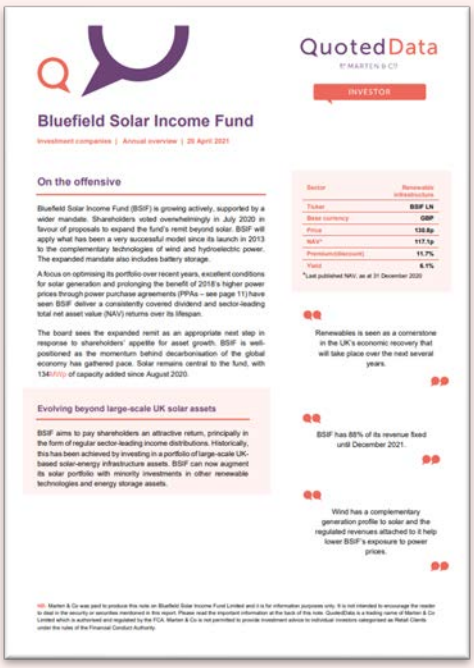
In both total net asset value (NAV) and share price return terms, Jupiter Emerging & Frontier Income (JEFI) has been the pacesetter within its peer group since the November 2020 vaccine announcements. Manager Ross Teverson and the team's long-held view that stocks were priced more attractively outside of China has been paying off, led by its Taiwan-based holdings in particular.


India Capital Growth

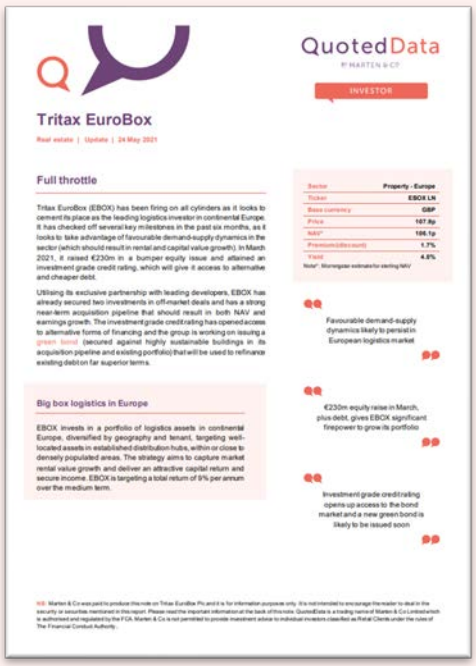
Though India's second coronavirus wave – which started in March 2021 and saw as many as 414,000 recorded daily cases as recently as 6 May – has been described as one of the worst in the world, Gaurav Narain, India Capital Growth's (IGC's) investment adviser, believes the peak in infections has now passed. The number of new daily cases appears to be falling and the country's vaccine rollout is ramping up after a temporary slowdown following production constraints.


Bluefield Solar Income Fund

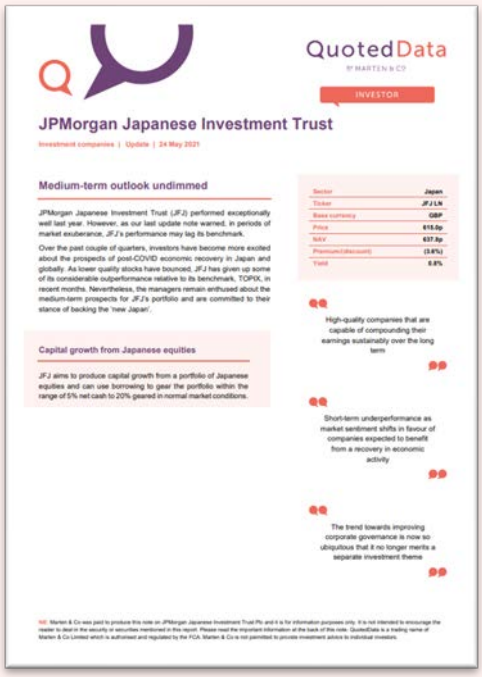
Bluefield Solar Income Fund (BSIF)'s ambition to expand beyond its narrow focus on solar power generation looks close to fruition, with the announcement of a deal to buy a portfolio of 109 wind turbines, located across the UK. This is the first in a series of transactions aimed at diversifying BSIF's asset base. The target is to have 25% of its portfolio in assets other than solar within 18 months.


Bluefield Solar Income Fund

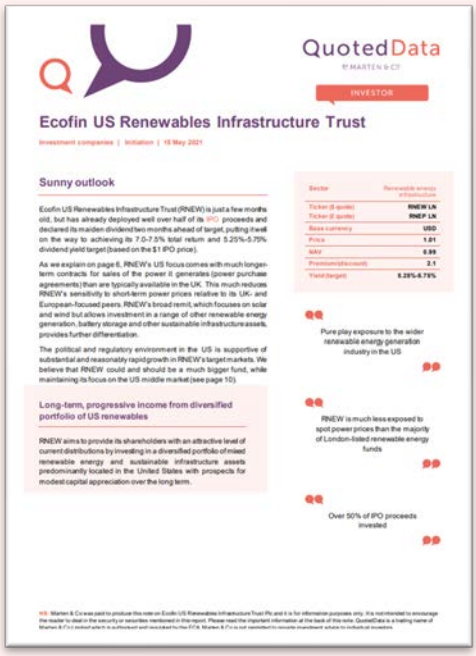
Bluefield Solar Income Fund (BSIF) is growing actively, supported by a wider mandate. Shareholders voted overwhelmingly in July 2020 in favour of proposals to expand the fund's remit beyond solar. BSIF will apply what has been a very successful model since its launch in 2013 to the complementary technologies of wind and hydroelectric power. The expanded mandate also includes battery storage. A focus on optimising its portfolio over recent years, excellent conditions for solar generation and prolonging the benefit of 2018's higher power prices through power purchase agreements.



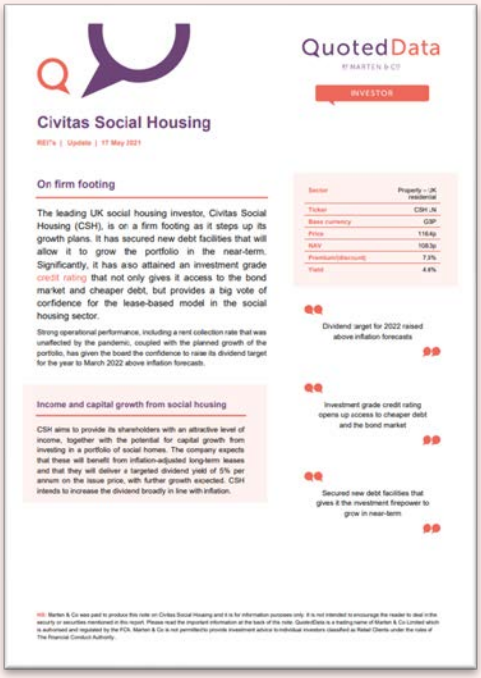
Tritax EuroBox (EBOX) has been firing on all cylinders as it looks to cement its place as the leading logistics investor in continental Europe. It has checked off several key milestones in the past six months, as it looks to take advantage of favourable demand-supply dynamics in the sector (which should result in rental and capital value growth). In March 2021, it raised €230m in a bumper equity issue and attained an investment grade credit rating, which will give it access to alternative and cheaper debt.



JPMorgan Japanese Investment Trust (JFJ) performed exceptionally well last year. However, as our last update note warned, in periods of market exuberance, JFJ's performance may lag its benchmark. Over the past couple of quarters, investors have become more excited about the prospects of post-COVID economic recovery in Japan and globally. As lower quality stocks have bounced, JFJ has given up some of its considerable outperformance relative to its benchmark, TOPIX, in recent months.



Ecofin US Renewables Infrastructure Trust (RNEW) is just a few months old, but has already deployed well over half of its IPO proceeds and declared its maiden dividend two months ahead of target, putting it well on the way to achieving its 7.0-7.5% total return and 5.25%-5.75% dividend yield target (based on the $1 IPO price). RNEW's US focus comes with long-term contracts for sales of the power it generates. This much reduces RNEW's sensitivity to short-term power prices relative to its UK- and European-focused peers.



The leading UK social housing investor, Civitas Social Housing (CSH), is on a firm footing as it steps up its growth plans. It has secured new debt facilities that will allow it to grow the portfolio in the near-term. Significantly, it has also attained an investment grade credit rating that not only gives it access to the bond market and cheaper debt, but provides a big vote of confidence for the lease-based model in the social housing sector.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Temple Bar Investment Trust

Investment companies | Update | 23 April 2021

Just getting started

RWC Partners took on responsibility for Temple Bar Investment Trust (TMPL) on 1 November 2020, and its appointment has coincided with a remarkable improvement in the fortunes of this UK equity income trust. Dramatic outperformance, a narrowing of the discount and a buzz around the resurgence of value-style investing mean that RWC has got off to a great start.

However, the managers think that this is just the beginning of TMPL's turnaround. They note that value-style investing often outperforms for an extended period following a shock to markets such as the one inflicted by COVID-19. Although the news is better, the easing of lockdowns has only just begun. The considerable economic stimulus being injected by governments offers the prospect of a synchronised global economic recovery. TMPL could be set fair.

Sector	UK equity income
Ticker	TMPL LN
Base currency	GBP
Price	1,138.0p
NAV	1,163.0p
Premium/(discount)	(2.1%)
Yield	3.4%

RWC took on responsibility for the management of TMPL's portfolio with effect from 1 November 2020

Good news on vaccinations was a game-changer for TMPL and value investing

Value tends to outperform for some time after severe shocks to markets

UK equity income and capital growth

TMPL aims to provide growth in income and capital to achieve a long-term total return greater than its benchmark (the FTSE All-Share Index), through investment primarily in UK securities. The company's policy is to invest in a broad spread of securities, with typically the majority of the portfolio selected from the constituents of the FTSE 350 Index.

RWC Partners took on responsibility for Temple Bar Investment Trust (TMPL) on 1 November 2020, and its appointment has coincided with a remarkable improvement in the fortunes of this UK equity income trust. Dramatic outperformance, a narrowing of the discount and a buzz around the resurgence of value-style investing mean that RWC has got off to a great start. However, the managers think that this is just the beginning of TMPL's turnaround.

Reflecting sustained strong demand for its strategy, CQS New City High Yield Fund (NCYF) has traded at an average premium to net asset value of 4.9% over the last five years. Whilst the discount to net asset value spiked out in the depths of last year's market trough, it quickly bounced back and NCYF was until very recently trading at premiums in excess of 5%. However, it has drifted out to trade around par since.


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CQS New City High Yield Fund

Investment companies | Annual overview | 15 April 2021

A short-term opportunity?

Reflecting sustained strong demand for its strategy, CQS New City High Yield Fund (NCYF) has traded at an average premium to net asset value of 4.9% over the last five years. Whilst the discount to net asset value spiked out in the depths of last year's market trough, it quickly bounced back and NCYF was until very recently trading at premiums in excess of 5%. However, it has drifted out to trade around par since February's modest steepening of the yield curve (where the yield curve steepens, longer term interest rates rise relative to shorter-term interest rates).

Overall, this steepening should be positive for the bulk of NCYF's financials holdings, which make up around 50% of its portfolio. In addition, with an improving outlook for 2021 as COVID-restrictions are eased, there is scope for recovery in some of NCYF's other holdings. We think the current lower-than-average rating of the fund may prove to be short-lived and may offer an opportunity.

Sector	Debt – Loans & Bonds
Ticker	NCYF LN
Base currency	GBP
Price	53.80p
NAV	51.74p
Premium/(discount)	4.0%
Yield	8.3%

NCYF's premium narrowed following the yield curve steepening in February.

NCYF's premium is still below its longer-term average.

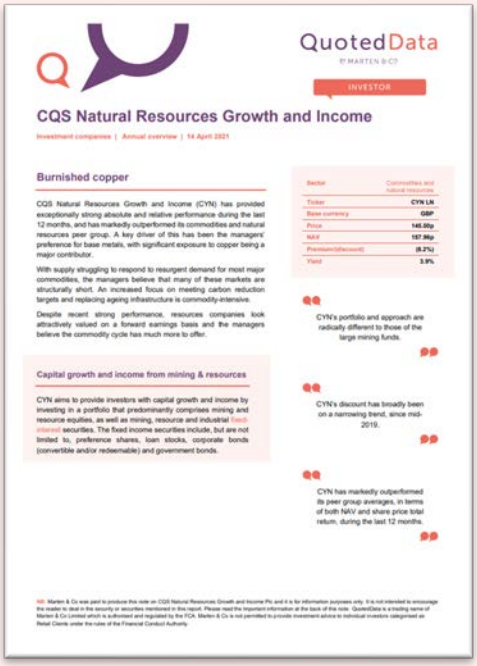
With an improving outlook, there is scope for recovery in some of NCYF's other holdings that have been impinged by COVID.

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 redeemable) 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 his approach to growing NCYF's capital.

CQS Natural Resources Growth and Income (CYN) has provided exceptionally strong absolute and relative performance during the last 12 months, and has markedly outperformed its commodities and natural resources peer group. A key driver of this has been the managers' preference for base metals, with significant exposure to copper being a major contributor.

In absolute terms, Montanaro UK Smaller Companies Trust (MTU) has been generating healthy returns for its shareholders; both the share price and the NAV are close to all-time highs. However, recently MTU has given up some of its earlier outperformance. As vaccines are rolled out, the end of lockdowns is finally in sight and we are all eager to get back to 'normal'. Last November, the news that a number of vaccines were effective triggered a surge in stock markets and a sharp rotation from high quality and growth stocks into riskier and/or 'value-style' stocks. This did not suit MTU's investment approach.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CQS Natural Resources Growth and Income

Investment companies | Annual overview | 14 April 2021

Burnished copper

CQS Natural Resources Growth and Income (CYN) has provided exceptionally strong absolute and relative performance during the last 12 months, and has markedly outperformed its commodities and natural resources peer group. A key driver of this has been the managers' preference for base metals, with significant exposure to copper being a major contributor.

With supply struggling to respond to resurgent demand for most major commodities, the managers believe that many of these markets are structurally short. An increased focus on meeting carbon reduction targets and replacing ageing infrastructure is commodity-intensive.

Despite recent strong performance, resources companies look attractively valued on a forward earnings basis and the managers believe the commodity cycle has much more to offer.

Sector	Commodities and natural resources
Ticker	CYN LN
Base currency	GBP
Price	145.00p
NAV	157.96p
Premium/(discount)	(8.2%)
Yield	3.9%

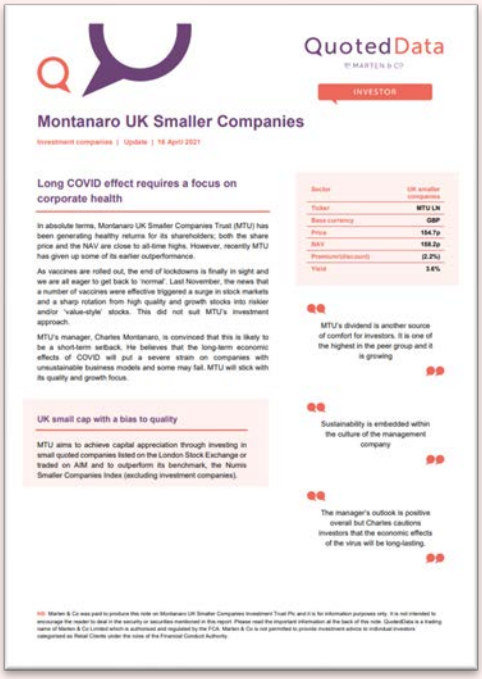
CYN's portfolio and approach are radically different to those of the large mining funds.

CYN's discount has broadly been on a narrowing trend, since mid-2019.

CYN has markedly outperformed its peer group averages, in terms of both NAV and share price total return, during the last 12 months.

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.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Montanaro UK Smaller Companies

Investment companies | Update | 16 April 2021

Long COVID effect requires a focus on corporate health

In absolute terms, Montanaro UK Smaller Companies Trust (MTU) has been generating healthy returns for its shareholders; both the share price and the NAV are close to all-time highs. However, recently MTU has given up some of its earlier outperformance.

As vaccines are rolled out, the end of lockdowns is finally in sight and we are all eager to get back to 'normal'. Last November, the news that a number of vaccines were effective triggered a surge in stock markets and a sharp rotation from high quality and growth stocks into riskier and/or 'value-style' stocks. This did not suit MTU's investment approach.

MTU's manager, Charles Montanaro, is convinced that this is likely to be a short-term setback. He believes that the long-term economic effects of COVID will put a severe strain on companies with unsustainable business models and some may fail. MTU will stick with its quality and growth focus.

Sector	UK smaller companies
Ticker	MTU LN
Base currency	GBP
Price	154.7p
NAV	158.2p
Premium/(discount)	(2.2%)
Yield	3.6%

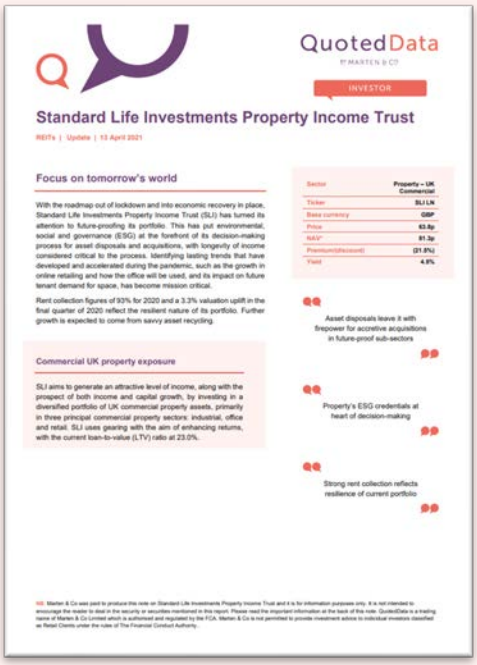
MTU's dividend is another source of comfort for investors. It is one of the highest in the peer group and it is growing

Sustainability is embedded within the culture of the management company

The manager's outlook is positive overall but Charles cautions investors that the economic effects of the virus will be long-lasting.

UK small cap with a bias to quality

MTU aims to achieve capital appreciation through investing in small quoted companies listed on the London Stock Exchange or traded on AIM and to outperform its benchmark, the Numis Smaller Companies Index (excluding investment companies).



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Standard Life Investments Property Income Trust

REITs | Update | 13 April 2021

Focus on tomorrow's world

With the roadmap out of lockdown and into economic recovery in place, Standard Life Investments Property Income Trust (SLI) has turned its attention to future-proofing its portfolio. This has put environmental, social and governance (ESG) at the forefront of its decision-making process for asset disposals and acquisitions, with longevity of income considered critical to the process. Identifying lasting trends that have developed and accelerated during the pandemic, such as the growth in online retailing and how the office will be used, and its impact on future tenant demand for space, has become mission critical.

Rent collection figures of 93% for 2020 and a 3.3% valuation uplift in the final quarter of 2020 reflect the resilient nature of its portfolio. Further growth is expected to come from savvy asset recycling.

Sector	Property – UK Commercial
Ticker	SLI LN
Base currency	GBP
Price	63.8p
NAV*	81.3p
Premium/(discount)	(21.5%)
Yield	4.8%

Asset disposals leave it with firepower for accretive acquisitions in future-proof sub-sectors

Property's ESG credentials at heart of decision-making

Strong rent collection reflects resilience of current portfolio

Commercial UK property exposure

SLI aims to generate an attractive level of income, along with the prospect of both income and capital growth, by investing in a diversified portfolio of UK commercial property assets, primarily in three principal commercial property sectors: industrial, office and retail. SLI uses gearing with the aim of enhancing returns, with the current loan-to-value (LTV) ratio at 23.0%.

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Guide

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Appendix 1 – median performance by sector over Q2 2021

	Share price Q2 21 TR (%)	NAV Q2 21 TR (%)	Discount 30/06/21 (%)	Market cap 30/06/21 (£m)	Number of companies in the sector
Country specialist	14.5	16.3	(14.4)	251	6
UK smaller companies	11.3	10.5	(8.4)	152	24
UK equity & bond income	10.9	9.9	(8.1)	140	2
China / greater China	10.3	9.0	2.7	605	3
Property - UK logistics	10.3	0.0	20.4	3,376	1
Latin America	10.2	11.9	(11.9)	97	2
North America	9.6	7.9	(6.4)	279	6
Commodities & natural resources	9.2	5.8	(5.3)	101	9
Property - debt	9.2	0.6	(10.2)	224	4
Asia Pacific smaller companies	9.0	3.9	(7.8)	365	3
Europe	9.0	8.0	(8.3)	447	8
Property - UK commercial	8.8	1.4	(13.2)	205	16
European smaller companies	8.4	10.2	(8.9)	619	4
Leasing	8.3	1.5	(43.8)	96	8
Property – Europe	8.3	1.0	0.0	313	7
Technology & media	7.9	9.7	(5.5)	1,258	3
UK equity income	7.4	6.3	(1.0)	215	27
Global smaller companies	7.4	8.3	(10.0)	1,415	5
Global emerging markets	7.3	6.6	(8.5)	280	14
Private equity	7.2	0.8	(19.5)	309	21
Global	7.2	7.2	(4.7)	413	19
India	7.0	6.9	(12.3)	236	4
Flexible investment	5.5	5.3	(3.0)	95	23
Global equity income	5.4	6.4	(1.9)	326	7
Debt - structured finance	5.0	2.3	(9.7)	138	7
Debt - loans & bonds	4.8	3.7	(4.1)	100	15
Property - UK residential	4.6	0.8	0.0	272	9
North American smaller companies	4.6	4.3	(3.0)	227	2
UK all companies	4.1	5.6	(3.7)	272	10
Asia Pacific	3.9	3.7	(7.8)	599	6
Financials	3.8	2.1	0.0	214	4
Growth capital	3.5	0.0	(2.5)	304	5
Environmental	3.3	3.9	(3.6)	70	4
Infrastructure securities	3.1	1.8	(5.3)	105	2
Hedge funds	2.4	(0.1)	(11.5)	55	11
Infrastructure	1.7	0.7	8.5	1,030	10

	Share price Q2 21 TR (%)	NAV Q2 21 TR (%)	Discount 30/06/21 (%)	Market cap 30/06/21 (£m)	Number of companies in the sector
Debt - direct lending	1.7	1.5	(4.9)	93	10
Royalties	1.3	(0.2)	4.8	786	2
Property - UK healthcare	1.3	1.5	3.6	490	2
Japanese smaller companies	1.2	2.3	(2.6)	148	5
Renewable energy infrastructure	0.5	1.5	7.4	421	17
Insurance & reinsurance strategies	0.0	0.0	0.0	0	5
Biotechnology & healthcare	(1.4)	1.2	(0.2)	827	6
Japan	(1.6)	(0.0)	(7.9)	273	6
Property - rest of World	(1.7)	0.0	(45.9)	44	4
MEDIAN	5.5	3.7	(5.3)	272	6

Source: Morningstar, Marten & Co. Note: all figures represent median values of the constituent funds from each sector. To 30/06/21

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