

June 2022

Monthly roundup | Investment companies

Winners and losers in May 2022

Any hopes for a more positive 2022 were shattered by the ongoing conflict in Ukraine. Economies are feeling inflationary pressures not seen in decades, commodity prices are rising and there is supply-chain disruption. The best performing sector for May was property - UK healthcare, boosted by strong performance from Target Healthcare REIT. Meanwhile, after months of poor performance not helped by new lockdowns across the country, Chinese funds finally got some respite. The Latin America sector revealed positive figures for the month, as it continues to benefit from rising oil and food prices. On the negative side, growth capital and technology & media trusts were once again the biggest losers as growth stocks continue to be out of favour. Meanwhile, the country specialist sector, which is dominated by Vietnamese funds, also suffered. The country's deputy PM said in May that it faces a big challenge to deliver on its economic growth target of 6% to 6.5% due to inflation concerns and a slower-than-expected global recovery, but the market has rallied in June. Global smaller companies trusts were also hit by worldwide headwinds already discussed. It is worth noting that only 13 of the 45 AIC sectors reported positive share price returns in May (see [Appendix 1](#) for a breakdown of how all the sectors have performed so far this year).

May's median total share price return was -2.3% (the average was also -2.3%) which compares with a median of -0.4% in April. Readers interested in recent briefings from the industry can click [here](#) to access our economic and political roundup.

Best performing sectors in May 2022 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 31/05/22 (%)	Median sector market cap 31/05/22 (£m)	Number of companies in the sector
Property - UK Healthcare	2.6	1.5	5.0	594.8	2
China / Greater China	2.6	(0.0)	(5.0)	283.8	4
Latin America	1.7	4.1	(8.9)	79.6	2
Leasing	0.5	0.0	(41.7)	100.0	8
Europe	0.2	(0.4)	(12.3)	365.3	7

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 May 2022 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 31/05/22 (%)	Median sector market cap 31/05/22 (£m)	Number of companies in the sector
Growth Capital	(10.9)	0.0	(31.9)	204.4	7
Technology & Media	(9.3)	(3.0)	(12.8)	957.7	3
Country Specialist	(7.6)	(7.4)	(16.1)	444.9	4
Property - UK Logistics	(7.0)	0.0	(5.6)	821.2	3
Global Smaller Companies	(6.6)	(3.3)	(12.7)	823.3	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

Winners and losers continued...

Best performing funds in total NAV (LHS) and price (RHS) terms over May 2022

Fund	Sector	(%)	Fund	Sector	(%)
BlackRock Energy & Resources Income	Commodities & Natural Resources	7.1	JZ Capital Partners	Flexible Investment	57.5
Nippon Active Value	Japanese Smaller Companies	5.6	Syncona	Biotechnology & Healthcare	20.0
Fidelity Special Values	UK All Companies	5.1	Foresight Sustainable Forestry	Farmland & Forestry	14.4
abrdn Latin American Income	Latin America	4.9	Alternative Income REIT	Property - UK Commercial	10.3
Middlefield Canadian Income	North America	4.6	BlackRock Energy and Resources Income	Commodities & Natural Resources	9.2
North American Income	North America	4.1	Target Healthcare REIT	Property - UK Healthcare	7.8
Chenavari Toro Income	Debt - Structured Finance	3.7	Shires Income	UK Equity Income	7.2
Temple Bar	UK Equity Income	3.7	BlackRock Latin American	Latin America	7.0
EP Global Opportunities	Global	3.7	Doric Nimrod Air Two	Leasing	6.7
JPMorgan China Growth & Income	China / Greater China	3.7	JPMorgan China Growth & Income	China / Greater China	6.3

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/05/22

Worst performing funds in total NAV (LHS) and price (RHS) terms over May 2022

Fund	Sector	(%)	Fund	Sector	(%)
Scottish Mortgage	Global	(19.4)	Geiger Counter	Commodities & Natural Resources	(27.5)
Geiger Counter	Commodities & Natural Resources	(11.6)	Schiehallion	Growth Capital	(24.6)
UIL	Flexible Investment	(10.9)	Seraphim Space	Growth Capital	(19.7)
Ceiba Investments	Property - Rest of World	(10.1)	JPMorgan Russian Securities	Country Specialist	(18.9)
Baillie Gifford US Growth	North America	(9.8)	Chrysalis	Growth Capital	(16.4)
Biotech Growth	Biotechnology & Healthcare	(9.6)	Baillie Gifford US Growth	North America	(16.0)
Pershing Square Holdings	North America	(9.5)	EPE Special Opportunities	Private Equity	(15.9)
India Capital Growth	India	(9.3)	Tritax Big Box	Property - UK Logistics	(15.8)
Vietnam Enterprise	Country Specialist	(9.0)	Symphony International	Private Equity	(14.7)
Bellevue Healthcare	Biotechnology & Healthcare	(8.6)	Ashoka India Equity	India	(14.5)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/05/22

Unsurprisingly, **BlackRock Energy & Resources Income** took the top spot in NAV terms in May as commodity prices have continued to rise (motoring groups have warned the cost of petrol could rise to more than £2 per litre very soon). It was joined by **abrdn Latin American Income** for similar reasons while the higher oil price was also good news for oil producing economies outside Russia, which helped **Middlefield Canadian Income**. Income-producing names such as **North American Income**,

Temple Bar and **Shires Income** also performed well. Reporting strong results which highlighted that dividend payments are finally getting back on track while **JZ Capital Partners** is set to benefit from the sale of a portfolio holding from the JZHL Secondary Fund, in which it has an interest. Meanwhile, property funds **Target Healthcare REIT** and **Alternative Income REIT** made share price gains. Both companies recently saw a valuation uplift. **Syncona** invested \$54m of a total \$56m raised by SwanBio in its series B funding round and **Foresight Sustainable Forestry** completed the acquisition of an afforestation project in Scotland.

Looking at the laggards, **Scottish Mortgage** was the worst performing fund in NAV terms after reporting its worst annual results for some years. Many are questioning whether the once most-loved investment company has peaked. **Geiger Counter's** NAV (and share price) also fell after an incredibly strong run though this is not as worrying as it looks. Rather it is linked to the exercise of its embedded subscription rights. Meanwhile, growth capital names such as **Schiehallion**, **Seraphim Space** and **Chrysalis** are still suffering from negative sentiment towards growth stocks. This also impacted those with a growth focus such as **Baillie Gifford US Growth** and biotechnology and healthcare names including **Biotech Growth** and **Bellvue Healthcare**. After months of yo-yo-ing between the top and bottom performers, **JPMorgan Russian Securities** was once again a loser in May in share price terms.

Moves in discounts and premiums

More expensive (LHS) and cheaper (RHS) relative to NAV over May 2022

Fund	Sector	Disc/ Prem 31/05/22 (%)	Disc/ Prem 30/04/22 (%)	Fund	Sector	Disc/ Prem 31/05/22 (%)	Disc/ Prem 30/04/22 (%)
Syncona	Biotechnology & Healthcare	5.4	(12.2)	Schiehallion	Growth Capital	7.9	35.2
JZ Capital Partners	Flexible Investment	(54.9)	(71.4)	JPMorgan Russian Securities	Country Specialist	103.3	128.5
Foresight Sustainable Forestry	Farmland & Forestry	10.4	(3.6)	Geiger Counter	Commodities & Natural Resources	1.0	23.2
Alternative Income REIT	Property - UK Commercial	(9.6)	(17.4)	Seraphim Space	Growth Capital	(24.0)	(5.4)
Shires Income	UK Equity Income	2.7	(4.9)	Tritax Big Box	Property - UK Logistics	(5.6)	12.2

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

Syncona became more expensive over May, seeing its double-digit discount swing to a 5% premium. Half-way through the month it announced it had invested \$54m of a total \$56m raised by SwanBio in its series B funding round. **JZ Capital Partners** saw its huge 71% discount narrow to a 55% discount after it revealed it was set to benefit from the sale of a portfolio holding from the JZHL Secondary Fund, in which it has an interest. At the start of the month, **Foresight Sustainable Forestry** completed the acquisition of Dove Hill, an afforestation project near Dalry, Scotland while **Shires Income** announced a narrower discount and good equity returns in its annual results.

As for trusts getting cheaper, **Schiehallion**, whose premium swung out to double-digits in April, appeared to come back down to reality in May. The trust's growth focus has hurt it in recent months, and the same can be said for **Seraphim Space**, whose 5.4% discount widened to 24%. Having increased to ludicrous levels at the start of the year, **JPMorgan Russian Securities'** premium fell sharply in April and again in May, though it remains at a triple-digit 103%. **Geiger Counter's** NAV and share price have also been quite volatile recently for reasons already explained and its double-digit premium at the end of April has since evaporated.

Money raised and returned over May

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

Fund	Sector	£m raised	Fund	Sector	£m returned
International Public Partnerships	Infrastructure	325.0	BlackRock Latin American	Latin America	(42.6)
Home REIT	Property – UK Residential	263.0	Monks	Global	(19.2)
Gresham House Energy Storage	Renewable Energy Infrastructure	150.0	Pershing Square	North America	(15.6)
BH Macro GBP	Hedge Funds	69.5	Witan	Global	(13.5)
Capital Gearing	Flexible Investment	51.8	Polar Capital Technology	Technology & Media	(12.3)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/04/22. Note: based on the approximate value of shares at 31/05/22

Just over £1.6bn of net new money was raised in May, led by a £325m fundraise from **International Public Partnerships**. **Home REIT** also completed a £263m fundraise which will be used to acquire and create homeless accommodation across the UK. The placing was significantly oversubscribed, smashing its initial target of £150m. Meanwhile, **Gresham House Energy Storage** raised £150m in a placing, which will allow it to fund the majority of its pipeline. The company said that the placing was significantly oversubscribed, and a scaling back exercise was undertaken.

BlackRock Latin American completed a tender offer in May which saw the purchase of 9,810,979 tendered shares with proceeds paid to shareholders whose tendered shares are held through CREST accounts. Share buybacks were led by **Monks**, **Pershing Square**, **Witan** and **Polar Capital Technology**.

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Major news stories and QuotedData views over May

Portfolio developments

- Growth sell-off hits [BlackRock Smaller Companies](#)
- Inflation hedge works to [Aurora's](#) benefit
- [Weiss Korea](#) holds up relatively well in falling market
- [Oakley Capital](#) chips in for Vice Golf
- [HydrogenOne Capital Growth](#) buys minority stake in fuel cell and electrolyser Elcogen
- [Downing Strategic Micro-Cap](#) on journey to grow as it publishes good results
- [JLEN Environmental Assets](#) flags big NAV jump
- [BB Biotech](#) remains resilient as biotech markets worsen
- [Bluefield Solar Income](#) buys UK-based solar and wind portfolio and announces proposed issue
- [NextEnergy Solar](#) reports positive performance for Q1 2022
- [Aquila European Renewables Income](#) acquires solar asset
- [BBGI Global Infrastructure](#) buys German motorway
- [Schroder British Opportunities](#) backs Mintec
- [JPMorgan Multi Asset](#) to match CPI inflation on dividend
- [HICL Infrastructure](#) makes first broadband investment
- Growth sell-off dents [Scottish Mortgage](#)
- [Securities Trust of Scotland](#) buoyed by consumer staples and IT exposures
- [JPMorgan Japanese](#) relative performance hit by growth focus
- [Renewable energy funds](#) hit by windfall tax rumour
- Strong performance and a special dividend from [Caledonia](#)

Property news

- [Home REIT](#) buys 156 properties
- [Derwent](#) buys Moorfields Eye Hospital
- [Life Science REIT](#) buys in London
- [CLS](#) frustrated by discount and proposes tender offer
- [Land Securities](#) sells Strand office for £195m
- [UK Commercial Property REIT](#) buys £62.7m hotel development
- [Regional REIT](#) splashes £48.2m on trio of offices
- [Warehouse REIT](#) posts 33.2% NAV total return as it gears up for main market move

Corporate news

- [Shaftesbury and Capital & Counties](#) confirm £3.6bn merger talks
- [Ecofin US Renewables](#) launches fundraise
- [LXI REIT and Secure Income REIT](#) to merge
- [ScotGems](#) calls continuation vote
- [AVI](#) calls for shakeup at NS Solutions
- ...and [AVI](#) targets SK Kaken
- [JZ Capital Partners](#) to benefit from portfolio holding sale in JZHL Secondary Fund
- [Bluefield Solar Income](#) pushes issue timetable back in response to windfall tax rumours
- [Foresight Solar](#) proposes policy change to allow investment in development stage assets
- [Gresham House Energy Storage](#) rakes in £150m
- [Downing Renewables & Infrastructure's](#) hydro debt facility classified as a green loan
- [Home REIT](#) raises £263m to tackle homeless crisis
- [abrdn Japan](#) underperforms in challenging year but avoids continuation vote
- [BMO UK High Income](#) pleads case for continuation

Managers and fees

- [Schroder Oriental Income](#) cuts performance fee
- [Capital Gearing](#) reveals 'satisfactory' results as trust celebrates 40 years under Peter Spiller's management

QuotedData views

- [Is logistics a house of cards? – 6 May 2022](#)
- [Delhi's dilemma – navigating the region's geopolitics – 13 May](#)
- [What's the craic, Scottish Mortgage? – 20 May](#)
- [Unloved quality – 27 May](#)

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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:

- Round Hill Music Royalty Fund AGM 2022, 9 June
- Invesco Perpetual UK Smaller Cos AGM 2022, 9 June
- BlackRock Smaller Companies AGM 2022, 9 June
- Nippon Active Value AGM 2022, 10 June
- Jupiter Emerging liquidation EGM, 13 June
- Fair Oaks Income AGM 2022, 14 June
- Foresight Solar AGM 2022, 15 June
- Baillie Gifford China Growth AGM 2022, 16 June
- Octopus Renewables Infrastructure AGM 2022, 17 June
- RTW Venture Fund AGM 2022, 21 June
- Ecofin US Renewables AGM 2022, 22 June
- Menhaden Resource Efficiency AGM 2022, 22 June
- Cordiant Digital Infrastructure AGM 2022, 23 June
- Invesco Bond Income Plus AGM 2022, 24 June
- Aurora Investment Trust AGM 2022, 28 June
- Pacific Assets AGM 2022, 28 June
- Scottish Mortgage AGM 2022, 30 June
- abrdn Japan AGM 2022, 1 July
- Shires Income AGM, 6 July
- **QuotedData's Property Conference 2022, 7 July**
- JPMorgan Multi Asset Growth and Income AGM 2022, 8 July
- Downing Strategic Micro-Cap AGM 2022, 11 July
- Biotech Growth AGM 2022, 19 July
- BMO UK High Income AGM 2022, 20 July
- Fidelity China Special Situations AGM 2022, 20 July
- Odyssean Investment Trust AGM 2022, 21 September

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
5 November	UKW, GHS, ACIC	Rory Bateman	Schroder British Opportunities
12 November	PINT, SMT, GSEO	Helen Steers	Pantheon
19 November	TIGT, ROOF	Iain McCombie	Baillie Gifford UK Growth
26 November	MTU, JLEN, GRIT, CORD	David Cornell	India Capital Growth
3 December	AAS, TEEC	Rob Crayford	CQS Natural Resources Growth & Income
10 December	EWI, TLEI	Nicholas Ware	Henderson Diversified Income
7 January	QuotedData	Andrew McHattie	2021 roundup
14 January	ELTA, JLEN, HGEN, ASLI	Jason Baggaley	Standard Life Investments Property Income
21 January	BSIF, RICA	Keith Watson	Geiger Counter
28 January	FSF, CIP, SLPE	Jonathan Maxwell	SDCL Energy Efficiency
4 February	AEET, TEEC	Sebastian Lyon	Personal Assets
11 February	THRG, SEC, TFIF, UKML	Richard Aston	CC Japan Income & Growth
18 February	CSH, HONY, NESF, TRIG, SUPR	Carlos Hardenberg	Mobius
25 February	BSIF, CRS, DG19, JEFI	Ian Francis	New City High Yield

4 March	JRS, MCKS	Thomas Moore	Aberdeen Standard Equity Income
11 March	ATT, JEFI, SGEM	James Harries	Securities Trust of Scotland
18 March	FEET, RAV, TRIG	Tom Moore & Henrik Dahlström	Downing Renewables & Infrastructure
25 March	GRP, ANII, IGC, RKW	Blake Hutchins	Troy Income & Growth
1 April	FJV, ORIT, PSH	Ian Lance	Temple Bar
8 April	GRID, HGEN, INPP, SUPR	Yoojeong Oh	abrdn Asian Income
22 April	AEET, NESF, PHLL	Viktor Szabó	abrdn Latin American Income
29 April	NBPE, VEIL	Robert Guest	Foresight Sustainable Forestry
6 May	APAX, EPG, UKW, WKOF, WTAN, ACIC	Gary Moglione	Momentum Multi-Asset Value Trust
13 May	BSIF, CAPC, RNEW, JLEN, LXI, SIR, SHB	Richard Sem	Pantheon Infrastructure
20 May	HGEN, SMT	James Thom	Aberdeen New Dawn
27 May	BSIF, UKW, GRID, HOME	Paul Bridge	Civitas Social Housing
Coming up			
10 June	VNH	Craig Martin	Vietnam Holding
17 June	AEWU	Laura Elkin	AEW UK REIT
24 June	BPCR	Pedro Gonzalez de Cosio	BioPharma Credit
8 July	GABI	David Conlon	GCP Asset-Backed Income
22 July	GCP	Philip Kent	GCP Infrastructure

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BAILLIE GIFFORD

Research notes published over May

abrdn New Dawn
Investment companies | Annual overview | 7 June 2022

Over the trough?
It has been another tough six months for abrdn New Dawn (ABD) as the Asia Pacific region has had to face new challenges from the Russo-Ukrainian conflict to China's deadliest COVID-19 wave yet (the economic impacts of which have been made worse by Xi Jinping's zero-COVID policy). This has only exacerbated headwinds already in place such as rising inflation. Manager James Thom believes the worst is behind us, but uncertainty and volatility remain. The trust itself has underperformed in the short-term but still boasts strong long-term numbers and, if a new dawn is indeed rising over the region, with India finally enjoying its reformation and the vaccine rollout (mostly underway), new could be an attractive entry point. The trust is also trading on a 12.4% discount.

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 listed companies spread across a range of industries and economies. ABD is benchmarked against the MSCI All Country Asia Pacific ex Japan Index (in sterling terms).

Key Metrics:

Sector	Asia Pacific
Ticker	ABD LN
Base currency	GBP
Price	305.5
NAV	333.7
Premium/discount	(12.4%)
Yield	1.52%

Key Points:

- ABD aims to provide shareholders with a high level of capital growth by investing in most Asia Pacific countries.
- The manager is cautious on China and bullish on India's fundamentals.
- The trust's ongoing charge ratio is among the lowest in its Asia Pacific ex Japan sector.

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Civitas Social Housing's (CSH's) discount to net asset value (NAV) has yet to recover from an activist short seller attack last year, with its share price almost as low as it has ever been in over five years since it launched. Although CSH's manager made a strong rebuttal to the allegations made by the short seller, regulatory concerns around the financial strength of some of its housing association tenants has persisted throughout its existence. To aid regulatory compliance, CSH plans to add a new clause to leases that would enable greater risk-sharing with the housing associations and allow them to temporarily stop paying rent in certain circumstances.

Civitas Social Housing
REITs | Update | 27 May 2022

Fundamentals remain strong
Civitas Social Housing's (CSH's) discount to net asset value (NAV) has yet to recover from an activist short seller attack last year, with its share price almost as low as it has ever been in over five years since it launched. Although CSH's manager made a strong rebuttal to the allegations made by the short seller, regulatory concerns around the financial strength of some of its housing association tenants has persisted throughout its existence. To aid regulatory compliance, CSH plans to add a new clause to leases that would enable greater risk-sharing with the housing associations and allow them to temporarily stop paying rent in certain circumstances.

Income and capital growth from social housing
CSH aims to provide its shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes. The company expects that these will benefit from inflation-adjusted long-term leases and that they will deliver a targeted dividend yield of 5% per annum on the share price, with further growth expected. CSH intends to increase the dividend broadly in line with inflation.

Key Metrics:

Sector	Property - UK residential
Ticker	CSH LN
Base currency	GBP
Price	161.5p
NAV	188.5p
Premium/discount	(14.3%)
Yield	6.1%

Key Points:

- Proposed new lease clause to enable regulatory compliance among tenants.
- Fundamentals supporting growth in the sector remain strong.
- Attractive share price discount to net asset value.

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Downing Renewables and Infrastructure Trust
Investment companies | Annual overview | 24 May 2022

Proving its mettle
With a solid first set of results published, revenue and dividends running ahead of IPO forecasts, a diverse and differentiated portfolio of attractive renewable energy assets, and a growing NAV supported by investments that are helping to build NAV and profits, Downing Renewables and Infrastructure (DORE) is attracting the support of new investors. Following its latest acquisition, DORE has drawn down 69% of its £25m revolving credit facility (RCF). The manager has a strong pipeline of investment opportunities and to access that and repay the drawings on the RCF, the directors are considering a fundraise. Russia's war on Ukraine and the associated spike in energy prices have underlined the need for Europe to rid itself of its fossil fuel dependence and accelerate the switch to renewables. The compelling associated continuing renewable-powered energy levels to be cheaper than gas-powered energy is an added bonus. DORE deserves to be playing an active part in this.

Diversified renewable energy and infrastructure
Downing Renewables and Infrastructure Trust aims to provide investors with an attractive and sustainable level of income returns, with an element of capital growth, by investing in a diversified portfolio of renewable energy and infrastructure assets located in the UK, Ireland and Northern Europe.

Key Metrics:

Sector	Renewable energy infrastructure
Ticker	DORE LN
Base currency	GBP
Price	110.20
NAV	115.20
Premium/discount	(4.1%)
Yield	4.7%

Key Points:

- DORE's strategy focuses on diversification by geography, technology, revenue and project stage.
- From launch, DORE has generated annualised returns of 8.9% in share price terms and 11.4% in NAV terms, well ahead of target.
- The manager has identified a pipeline valued in excess of £6bn.

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After a strong run of both absolute and relative performance, AVI Global Trust (AGT) faces twin headwinds of widening discounts within its underlying portfolio – as holdings' share prices move further below their underlying net asset value – and a widening discount on its own shares. The manager has been cautious on markets, eliminating the trust's gearing (borrowing) at the end of 2021. That gives it the firepower to take advantage of some of the bargains being thrown up by current events. The manager believes that when markets settle, discounts will start to narrow again to AGT's benefit.

AVI Global Trust
Investment companies | Annual overview | 29 May 2022

Bargain hunting
After a strong run of both absolute and relative performance (see page 16), AVI Global Trust (AGT) faces twin headwinds of widening discounts within its underlying portfolio – as holdings' share prices move further below their underlying net asset value – and a widening discount on its own shares. The manager has been cautious on markets, eliminating the trust's gearing (borrowing) at the end of 2021. That gives it the firepower to take advantage of some of the bargains being thrown up by current events. The manager believes that when markets settle, discounts will start to narrow again to AGT's benefit.

Extracting value from discounted opportunities
AGT aims to achieve capital growth through a focused portfolio of investments, particularly in companies whose share price is at a discount to estimated underlying net asset value. It invests in quality assets held through unconventional structures that lend to specific discounts. These types of companies include holding companies, closed-end funds, and asset-backed special situations.

Key Metrics:

Sector	Global
Ticker	AGT LN
Base currency	GBP
Price	189.5p
NAV	211.7p
Premium/discount	(10.7%)
Yield	1.7%

Key Points:

- The manager has reduced the number of holdings to focus on higher conviction positions.
- Gearing was trimmed downwards at the end of 2021 and the trust has untapped borrowing facilities.
- AGT can now take the benefit of future outperformance by building positions in good quality stocks on attractive discounts.

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Standard Life Investments Property Income Trust
REITs | Update | 19 May 2022

Resilient income in uncertain times

Standard Life Investments Property Income Trust's (SLI's) portfolio has performed strongly over the past year, posting a net asset value (NAV) total return of 30.7%. It is managing the research of its manager pricing the portfolio's focus onto the well-performing industrial and logistics sector many years ago (it now makes up 55% of the portfolio). This has allowed the manager to sell assets for substantial profits in a buoyant investment market for industrial assets, focusing on properties that it believes do not fit future occupier needs – specifically, on sustainability features.

The company has around \$40m available for new investments and the manager has laid the right on lower-valued (more expensive relative to rental income), quality assets that have strong environmental, social and governance (ESG) credentials, which it believes will provide it with resilient long-term income with superior growth potential. Despite recent valuation gains, the company's share price has not kept pace, and it currently trades on an attractive discount to NAV of 23.7%.

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 real estate assets, in the industrial, office, retail and other sectors. SLI uses gearing with the aim of enhancing returns, with the current loan-to-value (LTV) ratio at 18.6%.

Sector		Property - UK Commercial
Total	\$11M	\$11M
Base currency		GBP
Price		80p
NAV		105.6p
Premium/discount		(23.7%)
Yield		4.4%

- NAV total return of 30.7% for year to 31 March 2022
- Portfolio with strong ESG credentials
- NAV and earnings enhancing opportunities to some

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Standard Life Investments Property Income Trust's (SLI's) portfolio has performed strongly over the past year, posting a net asset value (NAV) total return of 30.7%. It is reaping the rewards of its manager pivoting the portfolio's focus onto the well-performing industrial and logistics sector many years ago (it now makes up 55% of the portfolio). This has allowed the manager to sell assets for substantial profits in a buoyant investment market for industrial assets; focusing on properties that it believes do not fit future occupier needs – specifically, on sustainability features.

The manager of CQS New City High Yield Fund (NCYF), has observed the marked shifts in central banks' policy towards raising interest rates this year. He feels that, while recent rises are a move in the right direction, central banks' caution – driven by concerns regarding the fragility of the global economy and the risk of repeating previous policy mistakes of tightening monetary policy into a slowdown – is leading to a very serious risk of inflation taking hold. He thinks inflation could become embedded at a potentially unsustainable level and that the UK economy is more vulnerable than those of Europe and the US.

CQS New City High Yield Fund
Investment companies | Update | 17 May 2022

Interest rate rises maybe too little, too late

Ben Franklin, the manager of CQS New City High Yield Fund (NCYF), has observed the marked shifts in central banks' policy towards raising interest rates this year. He feels that, while recent rises are a move in the right direction, central banks' caution – driven by concerns regarding the fragility of the global economy and the risk of repeating previous policy mistakes of tightening monetary policy into a slowdown – is leading to a very serious risk of inflation taking hold. He thinks inflation could become embedded at a potentially unsustainable level and that the UK economy is more vulnerable than those of Europe and the US. Reflecting this, Franklin and real assets account for a large part of NCYF's portfolio. Ben has also been adding to NCYF's overseas exposure at the margin and has been gradually edging up the portfolio's exposure to equities.

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-generating securities. The manager has a strong focus on capital preservation and is conservative in his approach to growing NCYF's capital.

Sector		Debt - Loans & Bonds
Total		NCYF LM
Base currency		GBP
Price		50.0p
NAV		50.5p
Premium/discount		0.9%
Yield		8.2%

- Central banks' rate rises are dangerously behind the inflation curve
- NCYF has significant exposure to floaters and real assets, which should benefit from higher interest rates if the trend towards higher inflation continues
- The total annual dividend has increased every year since launch

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Heightened downside risk and disappointing earnings updates have seen the technology sector give back some of its considerable long-term outperformance of the wider market. As investors retreated to the sector titans (stocks such as Microsoft and Apple), Polar Capital Technology's (PCT's) underweight position in these companies has seen it underperform its benchmark over the 12 months to the end of April. PCT's manager, Ben Rogoff, is undeterred by this, stating that technology stocks are in a better place than last year, and comparable performance will be more favourable going forward.

Polar Capital Technology
Investment companies | Update | 19 May 2022

Eyes on the prize

Heightened downside risk and disappointing earnings updates have seen the technology sector give back some of its considerable long-term outperformance of the wider market. As investors retreated to the sector titans (stocks such as Microsoft and Apple), Polar Capital Technology's (PCT's) underweight position in these companies has seen it underperform its benchmark over the 12 months to the end of April. PCT's manager, Ben Rogoff, is undeterred by this, stating that technology stocks are in a better place than last year, and comparable performance will be more favourable going forward.

The manager has taken advantage of valuation compression in the sector to upgrade PCT's portfolio, moving away from stocks (such as those in semiconductor, which are more sensitive to the economic cycle) and into secular growth stocks (such as software companies), whose earnings are more constant even during downturns. Ben believes that, despite depressed economic growth, the long-term fundamental growth drivers for the sector remain.

Global growth from tech portfolio

PCT aims to maximise long-term capital growth through investing in a diversified portfolio of technology companies around the world, diversified across both regions and sectors, within the overall investment objective to reduce investment risk.

Sector		Technology and media
Total		PCT LM
Base currency		GBP
Price		1.940p
NAV		2.280p
Premium/discount		(15.3%)
Yield		Nil

- Technology valuation decline presents opportunity to upgrade portfolio
- Portfolio rotated from cyclical stocks to secular growth stocks
- Long-term fundamental growth drivers remain

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Guide

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

YTD Rank	Sector	Share price TR YTD (%)	NAV TR YTD (%)	Share price TR May (%)	NAV TR May (%)	Disc. 31/05/22 (%)	Disc. 30/04/22 (%)	Change in disc. (%)	Median market cap 31/05/22 (£m)	No. of cos in sector
1	Insurance & Reinsurance Strategies	242.8	9.3	(6.0)	(0.4)	169.8	191.7	(22.0)	28.7	2
2	Latin America	23.6	22.5	1.7	4.1	(8.9)	(6.0)	(2.9)	79.6	2
3	Leasing	21.8	7.9	0.5	0.0	(41.7)	(43.2)	1.5	100.0	8
4	Commodities & Natural Resources	16.7	11.1	(0.4)	0.0	1.0	0.8	0.2	64.4	9
5	Property - UK Commercial	8.3	6.7	(0.2)	0.0	(13.8)	(14.6)	0.9	318.4	15
6	Renewable Energy Infrastructure	7.2	6.8	0.1	1.1	4.7	6.7	(2.0)	582.5	21
7	Debt - Direct Lending	6.8	3.6	(0.0)	0.0	(7.5)	(7.8)	0.2	175.0	8
8	Infrastructure Securities	5.8	3.7	(0.3)	1.3	(5.1)	(3.3)	(1.8)	131.8	2
9	Debt - Structured Finance	4.6	6.6	0.1	0.6	(14.1)	(12.4)	(1.7)	170.4	6
10	Hedge Funds	3.7	7.0	(1.0)	(0.3)	(10.2)	(8.9)	(1.3)	83.2	8
11	Property - UK Healthcare	2.6	4.6	2.6	1.5	5.0	3.0	2.0	594.8	2
12	UK Equity & Bond Income	1.2	(0.6)	(0.1)	(0.4)	0.1	0.7	(0.6)	229.2	1
13	Infrastructure	0.8	2.6	(0.4)	0.0	8.7	8.1	0.6	995.0	11
14	Royalties	(0.1)	5.9	(2.7)	0.3	(8.5)	(5.7)	(2.7)	847.7	2
15	North America	(1.2)	0.7	(3.3)	0.7	(9.5)	(5.4)	(4.2)	470.2	6
16	UK Equity Income	(2.3)	(4.0)	0.0	0.7	(4.1)	(3.1)	(1.0)	276.8	24
17	Debt - Loans & Bonds	(4.3)	(3.5)	(2.7)	(1.7)	(5.7)	(5.8)	0.1	131.1	12
18	Global Equity Income	(4.7)	(2.1)	(2.4)	0.7	(1.1)	(2.7)	1.6	352.8	7
19	Flexible Investment	(5.1)	(2.7)	(1.9)	(0.4)	(4.9)	(3.5)	(1.4)	93.3	22
20	Property - Debt	(5.8)	0.3	(3.0)	0.0	(12.3)	(7.0)	(5.3)	215.7	4
21	Property - Europe	(6.6)	2.9	(1.1)	0.9	(19.5)	(15.5)	(4.0)	445.1	5
22	Asia Pacific Smaller Companies	(7.3)	(6.1)	(3.1)	(1.8)	(11.5)	(10.3)	(1.2)	324.3	3
23	Property - UK Logistics	(8.7)	0.0	(7.0)	0.0	(5.6)	12.2	(17.8)	821.2	3
24	Property - UK Residential	(8.9)	2.7	(1.1)	0.0	(14.3)	(11.1)	(3.2)	438.6	6
25	Country Specialist	(9.5)	(7.0)	(7.6)	(7.4)	(16.1)	(16.3)	0.2	444.9	4
26	Global Emerging Markets	(9.8)	(5.3)	(2.2)	(1.7)	(12.3)	(12.3)	(0.0)	245.2	13
27	Private Equity	(10.2)	4.0	(3.7)	0.0	(33.3)	(28.9)	(4.4)	507.7	18
28	Europe	(12.0)	(10.4)	0.2	(0.4)	(12.3)	(13.0)	0.7	365.3	7
29	Global	(12.8)	(10.5)	(3.0)	(1.6)	(7.6)	(4.6)	(3.0)	487.7	17
30	Asia Pacific	(13.1)	(9.3)	(1.9)	(0.7)	(11.3)	(9.8)	(1.5)	493.4	6
31	Financials	(13.3)	(12.3)	(3.0)	0.3	(17.9)	(15.0)	(2.9)	404.3	2
32	India	(14.0)	(8.6)	(6.0)	(5.6)	(16.3)	(16.9)	0.5	245.8	4
33	Property - Rest of World	(15.1)	2.1	(3.0)	(0.2)	(67.2)	(66.3)	(0.9)	29.6	4

YTD Rank	Sector	Share price TR YTD (%)	NAV TR YTD (%)	Share price TR May (%)	NAV TR May (%)	Disc. 31/05/22 (%)	Disc. 30/04/22 (%)	Change in disc. (%)	Median market cap 31/05/22 (£m)	No. of cos in sector
34	UK Smaller Companies	(15.9)	(14.3)	(3.1)	(2.7)	(14.9)	(13.7)	(1.1)	140.0	24
35	UK All Companies	(19.1)	(17.8)	(2.3)	(2.6)	(14.7)	(11.8)	(2.9)	217.7	9
36	Biotechnology & Healthcare	(19.7)	(17.1)	(4.5)	(3.9)	(0.5)	(4.5)	4.0	616.1	6
37	North American Smaller Companies	(20.1)	(11.1)	(3.2)	(0.6)	(10.9)	(8.5)	(2.4)	192.2	2
37	Japan	(21.6)	(18.1)	(0.1)	(0.3)	(7.6)	(8.6)	1.0	227.5	6
39	Environmental	(22.3)	(11.7)	(2.3)	(0.5)	(13.8)	(12.0)	(1.7)	80.8	3
40	China / Greater China	(22.5)	(20.2)	2.6	(0.0)	(5.0)	(5.4)	0.4	283.8	4
41	European Smaller Companies	(22.6)	(20.3)	(2.7)	(2.2)	(12.6)	(10.7)	(2.0)	491.3	4
42	Japanese Smaller Companies	(24.5)	(21.1)	(1.1)	1.5	(8.3)	(5.7)	(2.6)	152.3	5
43	Technology & Media	(28.6)	(21.1)	(9.3)	(3.0)	(12.8)	(9.6)	(3.3)	957.7	3
44	Global Smaller Companies	(29.3)	(19.3)	(6.6)	(3.3)	(12.7)	(9.9)	(2.8)	823.3	5
45	Growth Capital	(32.0)	(9.5)	(10.9)	0.0	(31.9)	(23.5)	(8.4)	204.4	7
	MEDIAN	(8.7)	(2.7)	(2.3)	(0.0)	(10.9)	(8.6)	(1.5)	276.8	6

Source: Morningstar, Marten & Co



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**123a Kings Road, London SW3 4PL
0203 691 9430**

www.QuotedData.com

Registered in England & Wales number 07981621,
2nd Floor Heathmans House,
19 Heathmans Road, London SW6 4TJ

Edward Marten (em@martenandco.com)

David McFadyen (dm@martenandco.com)

Colin Edge (ce@martenandco.com)

Nick Potts (np@martenandco.com)

INVESTMENT COMPANY RESEARCH:

Jayna Rana (jr@martenandco.com)

Matthew Read (mr@martenandco.com)

James Carthew (jc@martenandco.com)

Richard Williams (rw@martenandco.com)