

October 2022

Monthly roundup | Investment companies

Winners and losers in September 2022

September's median total share price return was -6.4% (+0.4% in August). The median NAV return over September was -1.2%. See Appendix 1 for a breakdown of how all the sectors have performed so far this year.

September was a turbulent month for markets. The main factor influencing the sector was the direction of interest rates, which are pushing up yields on government debt and causing investors to question valuations in the property and alternative asset sectors in particular. Our economic and political roundup for September, which includes comments from boards and managers of a wide range of investment companies, covers this in detail. Click [here](#) to access it.

The few funds with share prices that rose over September (just 45 of 346) were an eclectic bunch, usually moving either just on sterling weakness or for stock-specific reasons, and there is little that can be surmised about the best-performing sectors in price terms beyond the continuing strength of India, which is bucking the trend of most global markets.

Best performing sectors in September 2022 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 30/09/22 (%)	Median sector market cap 30/09/22 (£m)	Number of companies in the sector
Insurance & reinsurance strategies	9.9	4.2	(21.3)	33.3	2
Property - rest of world	3.6	2.1	(63.1)	34.0	4
Financials	3.0	(2.0)	(10.5)	415.5	2
Latin America	2.3	0.6	(13.4)	71.4	2
India	1.7	0.0	(17.7)	282.2	4

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 September 2022 by total price return

	Median share price total return (%)	Median NAV total return (%)	Median discount 30/09/22 (%)	Median sector market cap 30/09/22 (£m)	Number of companies in the sector
Property - UK logistics	(23.8)	0.0	(37.8)	611.2	3
Royalties	(14.9)	(2.5)	(32.6)	693.9	2
Property - UK commercial	(14.7)	0.1	(32.1)	248.4	14
Property - UK healthcare	(13.9)	0.0	(15.1)	491.4	2
Environmental	(11.7)	(8.4)	(17.9)	75.6	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

On the negative side, the picture is much clearer. Property-related sectors have been hit hard as investors fear that interest rate rises will hit property investment companies with a lot of debt, yields that investors demand from property investments will rise – putting downward pressure on valuations, and the rising threat of recession will affect tenant's ability to pay rents. The

two funds in the royalties sector have been hit by fears of rising discount rates – see our discussion on a [recent weekly news show](#) for more details.

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

Fund	Sector	(%)	Fund	Sector	(%)
BH Macro USD	Hedge funds	7.7	Macau Property Opportunities	Property - rest of world	17.5
Round Hill Music Royalty	Royalties	5.2	Triam Investors 1	Financials	11.2
BioPharma Credit	Debt - direct lending	5.1	Fundsmith Emerging Equities Trust	Global emerging markets	10.3
Thomas Lloyd Energy Impact Trust	Renewable energy infrastructure	4.7	Fair Oaks Income 2021	Debt - structured finance	9.5
India Capital Growth	India	4.3	Dolphin Capital Investors	Property - rest of world	9.4
Symphony International	Private equity	4.2	Life Settlement Assets A	Insurance & reinsurance strategies	6.1
Aseana Properties	Property - rest of world	4.2	abrdn Latin American Income Fund	Latin America	5.3
US Solar Fund	Renewable energy infrastructure	4.2	Baillie Gifford US Growth	North America	4.8
Ecofin US Renewables	Renewable energy infrastructure	4.2	India Capital Growth	India	4.5
Marble Point Loan Financing	Debt – structured finance	4.2	BH Macro USD	Hedge funds	4.5

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/09/22

BH Macro is finding opportunities to make money in volatile markets and, like many of the best-performing funds in NAV terms, is benefiting from the strength of the US dollar. Round Hill Music announced encouraging interim figures this month, but its shares sold off on discount worries (see above). BioPharma Credit got a boost as a large borrower will repay its debt early, incurring early pre-payment penalties that add to BioPharma Credit's income. Thomas Lloyd Energy Impact wrote up the value of its Philippines solar asset as local electricity prices rose. It says that it is close to deploying all of its IPO proceeds. India Capital Growth has been the best-performing investment company focused on India this year. The India market seems to have decoupled from other emerging markets funds. The rupee is holding up well and inflation is thought to be manageable. The other funds all have dollar denominated NAVs, though the NAVs for Symphony and Aseana, which are both focused on Asia, may be out of date.

Looking at the share price moves, Macau Property Opportunities experienced a modest narrowing of its significant discount, perhaps a continuation of the improved sentiment that followed its disposal of some property in August. Triam Investors 1, which has been in dispute with some of its shareholders, resolved to offer them their money back by this time next year. Similarly, Fundsmith Emerging Equities, which has not lived up to its initial hype, has thrown in the towel, becoming the third global emerging markets fund to liquidate this year. Fair Oaks Income Fund has decided that it will prioritise buybacks over dividends for a while, to take advantage of its wide discount. Dolphin Capital Investors has sold its one third stake in the One and Only Kea Island resort and should soon be able to pay off the last of its debt. abrdn Latin American Income has been doing well on a resurgence of South American markets. Elections are underway in Brazil which could have an impact in October.

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

Fund	Sector	(%)	Fund	Sector	(%)
Geiger Counter Ord	Commodities & natural resources	(17.1)	Warehouse REIT	Property - UK logistics	(30.2)
abrdn Smaller Companies Inc	UK smaller companies	(14.3)	Aseana Properties	Property - rest of world	(25.5)
Premier Miton Glb Renewables Trust	Infrastructure securities	(14.2)	Balanced Commercial Property	Property - UK commercial	(24.3)
JPMorgan China Growth & Income	China / greater China	(14.0)	Urban Logistics REIT	Property - UK logistics	(23.8)
Schroder UK Mid Cap	UK all companies	(13.4)	Tritax EuroBox Euro	Property - Europe	(23.3)
Montanaro European Smaller	European smaller companies	(13.2)	Home REIT	Property – UK residential	(22.9)
Mercantile	UK all companies	(12.9)	Life Science REIT	Property - UK commercial	(22.8)
VietNam Holding	Country specialist	(12.8)	Alternative Income REIT	Property - UK commercial	(22.3)
River and Mercantile UK Micro Cap	UK smaller companies	(12.8)	Value and Indexed Property Income	Property - UK commercial	(22.1)
Henderson Smaller Companies	UK smaller companies	(12.8)	Hipgnosis Songs	Royalties	(20.0)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/09/22

On the downside, the surprise faller is Geiger Counter. Demand for nuclear power is increasing, which should be benefiting the uranium miners that Geiger Counter invest in. The sector is quite volatile, however. It may be that the fall is reversed this month. UK assets sold off as the government found new ways to threaten the health of the economy – hitting abrdn Smaller Companies Income, Schroder UK Mid Cap, Mercantile, River & Mercantile Micro Cap and Henderson Smaller Companies. Smaller companies are perceived to be at greater risk from a recession than larger ones. The same is true in Europe, where Montanaro European Smaller Companies (which also has a growth focus) was hit. Moves in Premier Miton Global Renewables' NAV are amplified by the gearing provided by its zero dividend preference shares. China was the weakest major market in September, hitting funds such as JPMorgan China Growth and Income. The ongoing property crisis, a weak currency and the rigid COVID policy have long been a source of concern for investors. By contrast, Vietnam had managed to avoid the general selloff in markets until September. The timing of the fall was odd though given that the country reported 13.7% GDP growth over the three months to August and the World Bank said it would be the fastest growing country in Asia this year.

In share price terms, the list is dominated by various funds investing in property. As mentioned above, the big jump in UK interest rates and gilt yields is worrying investors. It remains to be seen, however, whether NAVs will be hit as hard. Our analyst Richard Williams has published a note on [Urban Logistics REIT](#), which looks at the underlying dynamics of the logistics sector. Home REIT, whose income is largely linked to inflation, was one of the more surprising casualties. An attempt to launch a new competitor, Independent Living REIT, foundered during the month. Life Sciences REIT is being interviewed on this week's [news show](#). Hipgnosis Songs Fund sold off on concerns that the discount rate used to value its assets might be increased. The concern was that an NAV fall might cause the fund to breach its borrowing covenants. Since the end of the month, Hipgnosis has [refinanced](#) its debt.

Moves in discounts and premiums

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

Fund	Sector	Disc/ Prem 30/09/22 (%)	Disc/ Prem 31/08/22 (%)	Fund	Sector	Disc/ Prem 30/09/22 (%)	Disc/ Prem 31/08/22 (%)
Chelverton UK Dividend Trust	UK equity income	11.0	(1.3)	Warehouse REIT	Property - UK logistics	(37.8)	(10.5)
Fundsmith Emerging Equities Trust	Global emerging markets	(3.5)	(14.4)	JPMorgan Russian Securities	Country specialist	55.2	82.1
Trian Investors 1	Financials	(11.8)	(20.7)	Home REIT	Property - UK residential	(21.9)	2.4
Geiger Counter	Commodities & natural resources	(4.3)	(12.2)	Urban Logistics REIT	Property - UK logistics	(31.3)	(9.6)
F&C Investment Trust	Global	(2.3)	(9.0)	Life Science REIT	Property - UK commercial	(29.5)	(8.1)

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

Chelverton UK Dividend Trust's premium looks a bit strange to us. The NAV has been falling faster than the share price, and the trust is the worst-performing in its peer group over the past 12 months, but it might be that the high yield is persuading investors to hang on. As discussed above, Fundsmith and Trian rose as investors were promised their money back. While it has lost money, F&C is the best-performing of the global funds this year. It may be that investors see some safety in a large liquid and diversified fund such as this.

While all logistics funds sold off, Warehouse REIT was hit hardest. The sharp fall in its shares since the middle of September came as a large block of shares changed hands. However, the fall looks to have been arrested in recent days. Perhaps, with a yield of about 5.7% and a 35% discount to NAV today, the shares are starting to look more attractive. JPMorgan Russian's shares are a bet on an end to the war and/or the demise of Putin.

Money raised and returned

Money raised (LHS) and returned (RHS) over September 2022 in £m

Fund	Sector	£m raised	Fund	Sector	£m returned
SDCL Energy Efficiency Income	Renewable energy infrastructure	135.0	Scottish Mortgage	Global	(49.0)
Pantheon Infrastructure	Infrastructure	29.6	Pershing Square Holdings	North America	(29.2)
Capital Gearing	Flexible investment	19.5	Alliance Trust	Global	(21.2)
Ruffer	Flexible investment	14.7	Monks	Global	(19.1)
City of London	UK equity income	8.8	Fidelity China Special Situations	China / greater China	(18.7)

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 30/09/22. Note: based on the approximate value of shares at 30/09/22

While three IPOs launched in September, one has already been scrapped – Independent Living REIT, which would have been a competitor to Home REIT, Civitas Social Housing and Triple Point Social Housing, said “*given current market conditions, the Board of Directors has decided not to proceed with the Initial Issue at the current time*”. Welkin China Private equity pushed back the close of its IPO by a month. A result on Sustainable Farmland is due imminently.

SDCL Energy Efficiency managed to raise £135m, having targeted £100m but been offered much more than that. It has a deep pipeline of potential new investments available. However, it was surprising that its share price fell away so soon afterwards. Pantheon Infrastructure managed to expand as the last of its subscription shares were exercised. However, a planned £250m fundraise was abandoned on 30 September “*as a result of the extreme volatility of recent days in UK markets, notably within Government bonds and yield-based asset classes*” – another casualty of the fallout from the mini budget.

Absolute return funds such as Capital Gearing and Ruffer are understandably in demand. So too are solid income funds like City of London.

The trusts buying back shares were the usual suspects. We do wonder though whether Scottish Mortgage could be even more aggressive given its past share issuance and current 14% discount – a single figure discount ought to be a reasonable target.

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Major news stories and QuotedData views over September 2022

Portfolio developments

- HICL to acquire Texas Nevada transmission and Hornsea II windfarm
- Oakley Capital backs vLex
- Atrato Onsite Energy invests £31m
- Riverstone Energy backs fast-charging business Tritium
- Renewables Infrastructure makes battery storage investment
- Abrdn UK Smaller Companies struggles as Nimmo bows out
- NextEnergy enters new jv with Eelpower
- JLEN Environmental Assets makes first investment in commercial glasshouse controlled environment space
- Gulf Investment enjoys positive results
- BioPharma Credit to benefit from loan repayment
- Octopus Renewables Infrastructure makes on- and off-shore wind investments
- Another good year for City of London
- CQS New City High Yield finding more opportunities
- Pacific Horizon hit by growth selloff
- Very disappointing year for JPMorgan Mid Cap
- Murray Income misses out on value rally
- Chrysalis holding Revolution Beauty auditor raises serious concerns
- JLEN Environmental Assets/Foresight Solar battery project
- Bluefield Solar posts strongest results since IPO

Corporate news

- SDCL Energy Efficiency Income looking to raise £100m
- Finally a solution to the Triam Investors 1 conundrum
- Welkin China Private Equity targets \$300m IPO
- The Sustainable Farmland Trust targets £200m IPO
- New supported living REIT plans IPO
- Pantheon Infrastructure targets £250m in issue of new C shares
- Fundsmith Emerging Equities to enter voluntary liquidation
- Harmony Energy Income hoping to issue C shares

Property news

- LXI REIT sells 'income strip' on Thorp Park and Alton Towers
- Helical sells TikTok office for £158.5m
- Home REIT continues portfolio expansion
- Civitas Social Housing updates on new lease clause
- LXI REIT considers equity raise to fund £500m Sainsbury's portfolio buy
- Landsec sells Moorgate station office for £809m
- Ceiba struggles to access cash in Cuba

Managers and fees

- Sam Veicht becomes lead manager of BlackRock Latin American
- Tritax Eurobox appoints new fund manager

QuotedData views

- Here comes the rain again – 9 September
- Supermarket sweep – 23 September
- If you can't beat 'em, join 'em? – 16 September
- Managers question UK small cap weakness – 30 September

Visit www.quoteddata.com for 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:

- Henderson Diversified Income AGM 2022, 4 October
- Invesco Select AGM 2022, 4 October
- Rockwood Strategic investor presentation, 4 October
- ShareSoc Webinar with European Opportunities, 5 October
- Artemis Alpha AGM 2022, 13 October
- Greencoat Renewables EGM, 13 October
- Seraphim Space presentation, 17 October
- Diverse Income AGM 2022, 18 October
- QuotedData's Property Conference 2022, 19 October
- abrdn UK Smaller Companies Growth AGM, 20 October
- Mid Wynd AGM, 26 October
- The London Investor Show 2022, 28 October
- QuotedData's Investment Strategies Conference 2022, 9 November
- QuotedData's Responsible Investing Conference 2022, 10 November

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
1 July	AIE, CHRY	Andrew Beal	Schroder BSC Social Impact
8 July	DGI9, HICL, SONG, IHR, ORIT, RHM	David Conlon & Joanne Fisk	GCP Asset-Backed Income
22 July	HDIV, PCT	Philip Kent	GCP Infrastructure
29 July	RNEW, JRS, SSIT	Stuart Widdowson	Odyssean Investment Trust
5 August	FEET, JLEN	Kamal Warraich	Canaccord Genuity Wealth Mgmt
12 August	BPCR, IIT, MKNS, TI1	David Smith	Henderson High Income
19 August	AXI BSIF	Fiona Yang	Invesco Asia
26 August	DGI9, RWK, SHED	Nick Brind	Polar Capital Global Financials
2 September	SDCL, TI1	Tim Levine	Augmentum Fintech
9 September	UK renewables	Joe Bauernfreund	AVI Japan Opportunity
16 September	FEET	Stuart Gray	Alliance Trust
23 September	CTY, MUT, SUPR, LXI	Matthias Siller	Baring Emerging EMEA Opportunities
30 September	BSIF, discount rates	Masaki Taketsume	Schroder Japan Growth
Coming up			
7 October		Simon Farnsworth	Life Science REIT
14 October		Jonathan Maxwell	SDCL Energy Efficiency
21 October		Ross Driver	Foresight Solar Fund
28 October		Joe Bauernfreund	AVI Japan Opportunity

Research

Urban Logistics REIT

REITs | Annual overview | 4 October 2022

Long-term dynamics remain strong

Recently, Urban Logistics REIT's (SHED's) share price has fallen to a wide discount rating to its net asset value (NAV), as the rising cost of debt and concerns over a protracted recession have hit sentiment towards the logistics property sector. However, the long-term trends that have characterised growth in the sector remain and are even more acute in the 'last mile' sub-sector that SHED operates. Supply of logistics space is at record lows, while tenant demand is robust, with lettings for the first half of the year at record highs.

The strength of SHED's tenant base (80% rated low/moderate risk) gives the manager confidence going into a recession, while rental rises in line with inflation should be absorbed by the tenant base due to the essential nature of the goods they distribute. Most of SHED's leases are subject to open market rent reviews, which capture the effects of inflation.

Around 83% of SHED's borrowings are fixed or hedged and have an average maturity of over five years, giving it protection from rising interest rates. New loan facilities will give it extra firepower to expand its portfolio as it looks to take advantage of pricing opportunities in the current market.

'Last mile' logistics

SHED invests in a diverse portfolio of single-let, urban logistics properties located in the UK, with the aim of providing its shareholders with a 10% to 15% total return per annum.

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BY MARTEN & CO

INVESTOR

Sector	Property - UK Logistics
Ticker	SHED.LN
Base currency	GBP
Price	129.5p
NAV	188.6p
Premium/discount	(31.2%)
Yield	5.3%

- Chronic lack of supply and robust demand for urban logistics space remains
- 83% of debt fixed or hedged with maturity over five years
- Discount to NAV and dividend yield at attractive level

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In recent weeks, JLEN Environmental Assets Group (JLEN) has further diversified its portfolio with three new investments, a battery storage project and two investments in the low carbon and sustainable solutions portion of its portfolio; a controlled environment aquaculture facility in Norway; and a UK glasshouse construction project drawing low-carbon heat and power from an existing anaerobic digestion plant owned by JLEN.

In an environment of volatile energy prices and uncertainty over the shape of future electricity market reforms, investors may be reassured by the breadth of JLEN's portfolio and the managers' ability to find new ways of adding value.

JLEN Environmental Assets

Investment companies | Update | 29 September 2022

Further portfolio diversification

In recent weeks, JLEN Environmental Assets Group (JLEN) has further diversified its portfolio with three new investments, a battery storage project and two investments in the low carbon and sustainable solutions portion of its portfolio; a controlled environment aquaculture facility in Norway; and a UK glasshouse construction project drawing low-carbon heat and power from an existing anaerobic digestion plant owned by JLEN.

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As we show on page 14, JLEN's NAV gains over the past 12 months have been amongst the best in its sector. We feel that many signs point to a higher NAV, but share prices across the renewable energy sector have been weak. It seems likely that this is being driven by the spike in the UK government's long-term borrowing costs. It is hoped that this could drive up the discount rates used to calculate the NAVs of all assets valued on a discounted cashflow basis, such as those in the renewable energy sector.

Progressive dividend from investment in environmental infrastructure assets

JLEN aims to provide its shareholders with a sustainable, progressive dividend, paid quarterly, and to preserve the capital value of its portfolio. It invests in a diversified portfolio of environmental infrastructure projects generating predictable, wholly or partially index-linked cash flows. Investment in environmental infrastructure projects is supported by a global commitment to support low-carbon electricity targets.

QuotedData
BY MARTEN & CO

INVESTOR

Sector	Renewable energy infrastructure
Ticker	JLEN.LN
Base currency	GBP
Price	111.8p
NAV	123.9p
Premium/discount	(8.1%)
Yield	6.6%

- JLEN's NAV might rise by 5-6p to reflect the corporation tax U-turn
- UK power prices have soared past previous highs, driven largely by record natural gas prices
- As JLEN's managers continue to seek out new opportunities for the trust, it has made two investments in the growing area of controlled environments

QuotedData
BY MARTEN & CO

INVESTOR

Baillie Gifford UK Growth

Investment companies | Annual overview | 15 September 2022

Patience will be rewarded

Baillie Gifford UK Growth Trust (BGUK) has seen a marked fall in its net asset value (NAV) during the last 12 months as inflation expectations have risen, bringing with them interest rate rises and, in all likelihood, a recession. The selling-off of many 'growth' stocks has been severe and, BGUK's managers say, indiscriminate, with good companies being hit as well as the bad. However, this provides an opportunity for long-term investors. The managers have been reappraising their investment cases in light of the changing market conditions and have been adding to holdings that they think are fundamentally attractive.

The managers believe strongly that their patience will be rewarded over the longer term. An NAV recovery would also likely be accompanied by a narrowing of BGUK's discount, which is currently close to its five-year high.

Focused portfolio of UK growth equities

BGUK aims to achieve capital growth by investing in a concentrated portfolio (35-45 holdings) of UK equities, with the aim of providing a total return in excess of the FTSE All-Share Index. The portfolio will predominantly comprise constituents of the FTSE 350 Index, but where appropriate, it may also include convertible securities, and equity-related derivatives for efficient portfolio management purposes. BGUK may also invest up to 10% of its total assets in unlisted investment opportunities.

Sector	UK All Companies
Ticker	BGUK LN
Base currency	GBP
Price	160.8p
NAV	187.3p
Premium/(discount)	(14.1%)
Yield	2.4%

Indiscriminate selling of growth stocks has provided an opportunity for long-term investors.

An NAV recovery would also likely be accompanied by a narrowing of BGUK's discount.

Key portfolio themes remain unchanged.

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In its first three years, Chrysalis Investments (CHRY) generated significant net asset value (NAV) and share price returns for investors by building an exciting portfolio of fast-growing, disruptive and potentially market-leading companies. An abrupt change in sentiment towards these types of businesses has since impacted on CHRY's NAV, with falls in the values of listed investments and a notable write down in the valuation of Klarna. However, this is set against good news coming from portfolio companies such as Starling Bank and wefox.

In a market where financing for growth companies has become harder to obtain, CHRY is fortunate to have cash on hand from its first full exit to support portfolio companies, if needed. However, increasingly, these businesses are becoming profitable and cash-generative.

QuotedData
BY MARTEN & CO

INVESTOR

Chrysalis Investments

Investment companies | Initiation | 9 September 2022

Shepherding its portfolio through the storm

In its first three years, Chrysalis Investments (CHRY) generated significant net asset value (NAV) and share price returns for investors by building an exciting portfolio of fast-growing, disruptive and potentially market-leading companies. An abrupt change in sentiment towards these types of businesses has since impacted on CHRY's NAV, with falls in the values of listed investments and a notable write down in the valuation of Klarna. However, this is set against good news coming from portfolio companies such as Starling Bank and wefox.

In a market where financing for growth companies has become harder to obtain, CHRY is fortunate to have cash on hand from its first full exit to support portfolio companies, if needed. However, increasingly, these businesses are becoming profitable and cash-generative.

The extreme discount that CHRY's shares trade at relative to NAV represents a significant cushion against any further bad news. In time, sentiment will switch back, and if the portfolio lives up to the potential that the advisers believe it has, CHRY's current share price has a long way to climb.

Supporting growing businesses

CHRY aims to provide access to returns available from investing in later-stage private companies with long-term growth potential, an investment class that has traditionally been difficult to access for individual investors. CHRY also benefits from the flexibility to continue to support these businesses after they IPO.

Sector	Growth capital
Ticker	CHRY LN
Base currency	GBP
Price	49.3p
NAV*	163.48p
Premium/(discount)	(57.9%)
Yield	NI
Note	1st CHRY IPO published as at 30 June 2022

A valuable source of capital and expertise to growing businesses

Liquid access to exciting, fast-growing, disruptive but unlisted companies

CHRY has funding available for investee companies if it is needed

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INVESTOR

abrdn Private Equity Opportunities Trust

Investment companies | Update | 8 September 2022

Laying the foundations for future returns

abrdn Private Equity Opportunities (APEO) has recently been trading at discounts to net asset value (NAV) in excess of 40%, way above its long-term average of around 16-17%, suggesting that the market is pricing in an NAV fall comparable to that seen during the global financial crisis.

Alan Gauld, APEO's lead portfolio manager, thinks that the discount is nonsensical, and we agree. The listed private equity sector has changed immeasurably since the crisis and APEO's portfolio is focused on managers of funds invested in cash generative businesses that are able to finance their growth. Add in APEO expanding its direct co-investment side (17% of NAV as at 31 March 2022), an increased focus on sector specialist managers that are better able to add value, conservative valuations for private equity positions and a focus on the mid-market where there is less competition, and the current discount adds to an already compelling opportunity.

Private equity fund of funds with a European bias

APEO aims to achieve long-term total returns through a diversified portfolio of private equity funds, and co-investments, the majority of which will have a European focus. Its portfolio is more focused than many of its peers: the top 10 underlying private equity funds accounted for 44.3% of NAV, as at 30 June 2021. Like many private equity funds, APEO has no formal benchmark. Historically, the portfolio has been most closely correlated to European small-cap index.

Sector	Private equity
Ticker	APEO LN
Base currency	GBP
Price	800.0p
NAV	712.0p
Premium/(discount)	(43.1%)
Yield	2.8%
Note	1) Shareholder estimate as at 6 September 2022. Last published APEO NAV estimate was 710.0p as at 31 July 2022.

The market is pricing falls on over 20% in NAV, which is nonsensical given conservative NAVs and the trust's mid-market focus.

APEO has been expanding its co-investment side: the limit has been raised to 20%.

APEO's manager is giving greater emphasis to sector specialists that are better able to add value.

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abrdn Private Equity Opportunities (APEO) has recently been trading at discounts to net asset value (NAV) in excess of 40%, way above its long-term average of around 16-17%, suggesting that the market is pricing in an NAV fall comparable to that seen during the global financial crisis.

Alan Gauld, APEO's lead portfolio manager, thinks that the discount is nonsensical, and we agree. The listed private equity sector has changed immeasurably since the crisis and APEO's portfolio is focused on managers of funds invested in cash generative businesses that are able to finance their growth. Add in APEO expanding its direct co-investment side (17% of NAV as at 31 March 2022), an increased focus on sector specialist managers that are better able to add value, conservative valuations for private equity positions and a focus on the mid-market where there is less competition, and the current discount adds to an already compelling opportunity.



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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 2022 year to date price total return

YTD Rank	Sector	Share price TR YTD (%)	NAV TR YTD (%)	Share price TR Aug (%)	NAV TR Aug (%)	Disc. 30/09/22 (%)	Disc. 31/08/22 (%)	Change in disc. (%)	Median mkt cap 30/09/22 (£m)	No. of cos in sector
1	Insurance & Reinsurance Strategies	537.4	535.6	9.9	4.2	(21.3)	(25.7)	4.5	33.3	2
2	Leasing	39.9	16.2	1.3	0.0	(26.5)	(15.3)	(11.3)	110.1	8
3	Latin America	16.9	19.1	2.3	0.6	(13.4)	(14.2)	0.8	71.4	2
4	Renewable Energy Infrastructure	9.4	16.0	(7.1)	0.0	(6.3)	2.9	(9.2)	529.5	21
5	Debt - Structured Finance	4.4	7.2	0.3	1.6	(18.1)	(19.2)	1.1	165.6	6
6	Hedge Funds	3.3	16.0	0.1	3.0	(16.0)	(12.5)	(3.5)	104.0	8
7	India	2.3	6.2	1.7	0.0	(17.7)	(18.7)	1.0	282.2	4
8	Infrastructure Securities	0.7	(4.6)	(10.1)	(10.7)	(2.2)	(2.9)	0.7	137.5	2
9	Debt - Direct Lending	(0.7)	9.0	(2.5)	1.9	(16.3)	(11.3)	(5.0)	153.9	8
10	Asia Pacific Smaller Companies	(2.3)	1.4	(4.1)	(4.1)	(11.0)	(14.0)	3.0	325.6	3
11	North America	(5.3)	(2.7)	(4.5)	(5.2)	(7.2)	(10.2)	3.0	476.8	6
12	Debt – loans and bonds	(6.2)	(4.3)	(1.9)	(1.7)	(5.8)	(7.1)	(1.3)	129.1	12
13	Financials	(6.5)	(14.4)	3.0	(2.0)	(10.5)	(14.3)	3.8	415.5	2
14	Infrastructure	(7.6)	6.1	(7.0)	0.0	(2.4)	3.5	(5.9)	873.8	11
15	Property - Debt	(9.2)	2.3	(5.5)	0.0	(15.7)	(9.8)	(5.9)	194.8	4
16	Global Equity Income	(9.7)	(6.7)	(6.3)	(5.1)	(6.3)	(5.5)	(0.8)	315.5	7
17	Commodities & Natural Resources	(11.2)	1.5	(8.3)	(1.7)	(5.8)	(12.2)	6.4	62.7	9
18	UK Equity Income	(11.9)	(15.5)	(6.7)	(7.7)	(4.0)	(2.6)	(1.4)	235.7	24
19	Royalties	(12.9)	24.4	(14.9)	(2.5)	(32.6)	(22.9)	(9.7)	693.9	2
20	Property - UK Commercial	(13.7)	12.6	(14.7)	0.1	(32.1)	(91.5)	(12.6)	248.4	14
21	Flexible Investment	(13.8)	(6.6)	(4.5)	(2.3)	(2.3)	(3.6)	1.3	87.7	22
22	Biotechnology & Healthcare	(14.6)	(2.4)	0.2	(0.2)	(6.6)	(7.7)	1.1	695.0	6
23	Property - UK Healthcare	(14.7)	7.0	(13.9)	0.0	(15.1)	(1.0)	(14.2)	491.4	2
24	UK Equity & Bond Income	(15.3)	(15.0)	(11.9)	(9.7)	(2.3)	(1.0)	(1.3)	186.6	1
25	Country Specialist	(15.3)	(13.4)	(9.4)	(7.5)	(15.7)	(17.7)	2.0	426.9	4
26	Global Emerging Markets	(17.4)	(14.9)	(4.8)	(4.9)	(12.2)	(12.9)	0.7	344.2	11
27	Private Equity	(17.4)	6.7	(3.7)	0.0	(40.3)	(35.8)	(4.5)	457.2	18
28	Asia Pacific	(17.5)	(16.5)	(6.7)	(8.3)	(10.5)	(12.2)	1.6	461.8	6
29	Global	(19.8)	(16.4)	(5.0)	(6.2)	(7.9)	(9.4)	1.5	419.3	16
30	North American Smaller Companies	(20.2)	(10.0)	(5.3)	(4.5)	(12.5)	(11.4)	(1.1)	189.7	2
31	Property - Europe	(22.1)	5.4	(7.3)	1.4	(41.3)	(31.9)	(9.4)	364.4	5
32	Property - Rest of World	(23.2)	5.2	3.6	2.1	(63.1)	(60.0)	(3.1)	34.0	4

YTD Rank	Sector	Share price TR YTD (%)	NAV TR YTD (%)	Share price TR Aug (%)	NAV TR Aug (%)	Disc. 30/09/22 (%)	Disc. 31/08/22 (%)	Change in disc. (%)	Median mkt cap 30/09/22 (£m)	No. of cos in sector
33	Property - UK Residential	(23.5)	7.0	(8.7)	0.0	(28.2)	(18.5)	(9.6)	345.3	6
34	Europe	(24.6)	(20.3)	(7.7)	(6.5)	(14.0)	(13.2)	(0.7)	326.0	7
35	Japan	(25.7)	(19.7)	(6.2)	(6.7)	(10.5)	(10.0)	(0.4)	225.0	6
36	Environmental	(27.2)	(17.3)	(11.7)	(8.4)	(17.9)	(13.6)	(4.3)	75.6	3
37	Japanese Smaller Companies	(28.9)	(24.4)	(3.9)	(4.8)	(8.5)	(10.2)	1.7	149.8	5
37	China / Greater China	(29.1)	(23.3)	(10.7)	(9.9)	(11.5)	(10.3)	(1.2)	246.9	4
39	UK All Companies	(30.4)	(30.3)	(8.9)	(11.4)	(11.4)	(13.5)	2.0	174.2	9
40	UK Smaller Companies	(32.5)	(28.9)	(9.9)	(9.5)	(14.0)	(13.6)	(0.4)	119.4	24
41	Global Smaller Companies	(34.8)	(26.0)	(8.0)	(7.1)	(18.0)	(15.7)	(2.4)	686.2	5
42	European Smaller Companies	(36.1)	(34.0)	(7.9)	(10.1)	(14.5)	(14.4)	(0.1)	398.4	4
43	Technology & Media	(36.9)	(24.9)	(5.6)	(5.3)	(13.2)	(14.1)	0.9	909.5	3
44	Property - UK Logistics	(37.0)	17.2	(23.8)	0.0	(37.8)	(10.5)	(27.2)	611.2	3
45	Growth Capital	(51.5)	(11.2)	(11.1)	0.0	(46.8)	(41.3)	(5.5)	145.6	7
	MEDIAN	(14.7)	(4.3)	(6.3)	(2.3)	(13.4)	(12.9)	(0.8)	248.4	6

Source: Morningstar, Marten & Co



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