QuotedData

BY MARTEN & CO

INVESTOR

Third quarter of 2022

Investment companies | Quarterly roundup | October 2022

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Piling on the misery

In the face of rising inflation, exacerbated by the war in Ukraine, central bankers have condemned for their relative inaction. However, in the third quarter of 2022, they stepped up a gear. Last month's economic and political roundup highlighted a comment from Jerome Powell (chair of the Federal Reserve), who said "*We have got to get inflation behind us. I wish there were a painless way to do that, there isn't*". That hit sentiment across the globe. In the UK, the new government compounded the problem with a series of policy missteps and U-turns that served to further unnerve investors and will likely prolong and deepen the looming recession.

In this environment, discounts have widened across the sector, fundraising has stalled, funds with excessive gearing (especially those with floating rate debt) look vulnerable, and previous safe havens have lost that status.

On the bright side, that creates opportunities for those with the liquidity to take advantage of them. This is also when the benefits of closed-end structures shine through. As we saw a couple of years ago with COVID, the ability to dip into revenue reserves can help preserve the flow of income to investors.

New research

Over the quarter, we published notes on: Urban Logistics REIT, JLEN Environmental Assets, Baillie Gifford UK Growth, Chrysalis Investments, abrdn Private Equity Opportunities, Temple Bar, JPMorgan Multi-Asset Growth and Income, Gulf Investment, North American Income Trust, GCP Infrastructure, JPMorgan Japanese, Grit Real Estate Income, and Montanaro UK Smaller Companies. You can read all of these notes by clicking on the links above or by visiting our website.

Best-performing fund RTW Venture has a strong bias to US-based companies. The strength of the US dollar was a boost for it and a number of other funds. Mergers and acquisitions (M&A) activity in the biotech sector is helping to drive a recovery.

There were no new issues during the quarter. Three funds did try to IPO but were stymied by market conditions.

Discounts widened, almost across the board, the median total share price return was -14.0%.

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Contents

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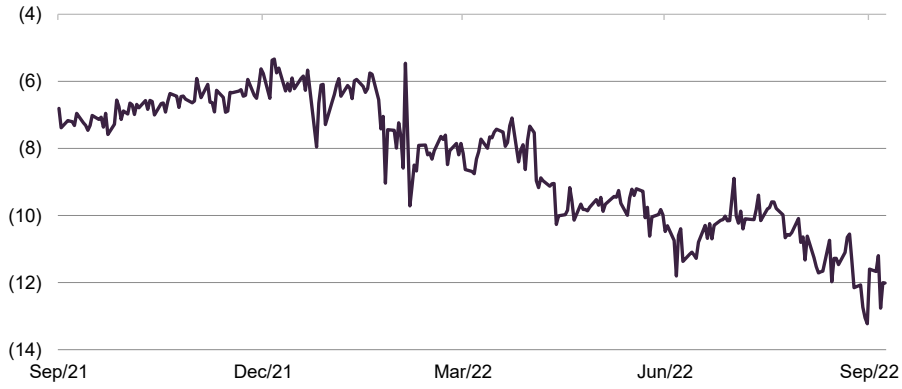
At a glance

All investment companies median discount

Discounts have been widened and been increasingly volatile as inflation and the risk of a global recession have increased.

The median discount at the end of September was 11.6%, a bit better than the 13.3% it hit the day before, but as bad as it has been since the COVID-triggered market panic of March 2020.

Time period 1 October 2021 to 7 October 2022

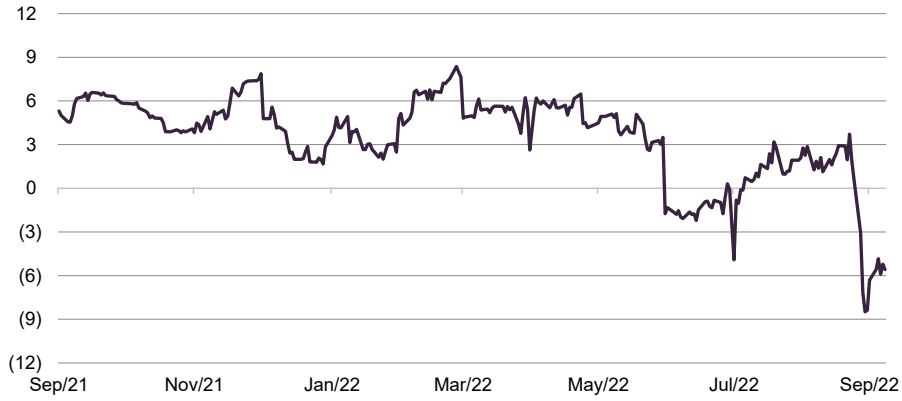


Source: Morningstar, Marten & Co

Renewable energy sector median premium/(discount)

Renewable energy funds have shifted from trading at premiums to discounts as investors fret that rising discount rates will put downward pressure on NAVs and windfall taxes will curb profits.

Time period 1 October 2021 to 7 October 2022



Source: Morningstar, Marten & Co

	30/09/2022	Change on quarter (%)
Pound to US dollar	1.1170	(8.3)
Pound to Euro	1.1396	(1.9)
Oil (Brent, in dollars)	87.96	(23.4)
Gold (in dollars)	1660.61	(8.1)
US Treasuries (10-year yield)	3.829	27.1
UK Gilts (10-year yield)	4.093	83.6
German government bonds (bunds, 10-year yield)	2.105	57.9

Source: Bloomberg

Winners and losers

Out of a total of 348 investment companies that we follow, the median total NAV return over the second quarter of 2022 was -4.7%. As discounts widened, almost across the board, the median total share price return was -14.0%.

By sector

Best performing sectors over Q3 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 and reinsurance strategies	50.8	8.5	(21.3)	33.3	2
India	16.0	17.5	(16.8)	282.2	4
Leasing	15.7	6.6	(26.5)	110.1	8
Financials	10.5	6.0	(10.5)	415.5	2
Biotechnology and healthcare	10.1	10.3	(6.7)	695.0	6

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

Once again, the best performing sector over the quarter was insurance & reinsurance strategies as one of its two members, CatCo Reinsurance, continues to make progress with its wind up and the other, Life Settlement Assets, reported strong NAV growth. The Indian economy/stock market appears to have decoupled from other emerging markets. The leasing sector has been buoyed by the ship leasing funds and a modest recovery in some of the share prices of the aircraft easing funds. In the financials sector, the announcement of a return of capital by Trian Investors 1 narrowed its discount. Investors seem to have decided that the biotechnology and healthcare sector was oversold, perhaps persuaded by an uptick in takeover activity.

Worst performing sectors over Q3 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	(24.5)	0.0	(37.8)	611.2	3
China/greater China	(22.5)	(16.2)	(11.8)	246.9	4
Property – UK commercial	(13.2)	1.1	(34.3)	248.4	14
Growth capital	(12.7)	0.0	(46.8)	145.6	7
Property – UK healthcare	(12.6)	1.5	(15.1)	491.4	2

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

A quick glance at the above table is enough to see that property-related sectors were hit hard in Q3. The problem is rising interest rates, which are expected to drive

up property yields/drive down values. That has not yet been reflected in NAVs, as is clear in the table. The logistics sector has been an investor favourite and QuotedData's analyst believes that the demand/supply dynamic still works in favour of rising rents (as you can read in our latest note on Urban Logistics REIT).

Otherwise, Chinese funds suffered once again on anaemic economic growth and the growth capital sector was hit by problems with a number of underlying investments on top of the general aversion to growth stocks.

Top 10 performers by fund

Best performing funds in total NAV (LHS) and price (RHS) terms over Q3 2022

Fund	Sector	(%)	Fund	Sector	(%)
RTW Venture	Biotechnology and healthcare	27.1	Doric Nimrod Air One	Leasing	86.1
India Capital Growth	India	24.0	Macau Property Opportunities	Property – rest of world	53.8
Ashoka India Equity	India	20.2	RTW Venture	Biotechnology and healthcare	28.4
Biotech Growth	Biotechnology and healthcare	20.0	India Capital Growth	India	27.6
Geiger Counter	Commodities and natural resources	19.5	Fundsmith Emerging Equities	Global emerging markets	24.1
Marble Point Loan Financing	Debt – structured finance	18.7	Biotech Growth	Biotechnology and healthcare	23.6
Pershing Square Holdings	North America	17.7	Ashoka India Equity	India	21.1
Fair Oaks Income	Debt – structured finance	17.1	SLF Realisation	Leasing	19.6
Bellvue Healthcare	Biotechnology and healthcare	15.5	BH Macro (USD)	Hedge funds	17.8
BH Macro (USD)	Hedge funds	15.0	Doric Nimrod Air Two	Leasing	17.8

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

Given the general antipathy towards growth stocks, it was interesting to see a rebound in the NAVs and share prices of a number of funds in the biotechnology and healthcare sector over the quarter. RTW Venture, which tops the list, has a strong bias to US-based companies. The strength of the US dollar (see page 3) was a boost for it and a number of other funds. It reported that mergers and acquisitions (M&A) activity in the sector was the highest that it had been since the second quarter of 2018. This has helped rekindle interest in the sector, benefiting Biotech Growth and Bellvue Healthcare as well.

The two Indian funds with the greatest exposure to small and mid cap stocks – India Capital Growth and Ashoka India Equity – also did well. India's domestic economy appears to be thriving, shrugging off the gloom that has enveloped most other large markets. Conversations with the manager of India Capital Growth suggest that the reforms enacted by the government in recent years are now bearing fruit.

Geiger Counter has had a volatile few months, but the global energy crisis has helped to stimulate renewed appetite for nuclear power, which is working to its advantage.

Marble Point Loan Financing is a beneficiary of the stronger dollar. The big plus point for it and similar funds such as Fair Oaks Income is that they are invested in floating rate loans and so are seeing increased income flow through as interest rates rise. Some caution may be required, however, as the risk of loan defaults is probably rising too.

Doric Nimrod Air One surprised the market by reaching an agreement with Emirates to sell its sole A380 to the airline at the end of its lease. Macau Property Opportunities made some disposals too.

Fundsmith Emerging Equities rose in price as its manager threw in the towel. The board is opting to liquidate the fund rather than seek a new manager. BH Macro is seeing more opportunities to make money in volatile markets.

Bottom 10 performers by fund

Worst performing funds in total NAV (LHS) and price (RHS) terms over Q3 2022

Fund	Sector	(%)	Fund	Sector	(%)
JPMorgan China Growth and Income	China/greater China	(21.6)	Chrysalis Investments	Growth capital	(40.8)
River and Mercantile UK Micro Cap	UK smaller companies	(20.2)	JPMorgan China Growth and Income	China/greater China	(29.1)
EPE Special Opportunities	Private equity	(18.1)	Balanced Commercial Property	Property – UK commercial	(27.2)
Baillie Gifford China Growth	China/greater China	(17.3)	Warehouse REIT	Property – UK logistics	(26.0)
abrdn Smaller Companies Income	UK equity income	(15.4)	Tritax EuroBox	Property – Europe	(25.8)
Chelverton UK Dividend	UK smaller companies	(15.2)	EPE Special Opportunities	Private equity	(24.7)
Fidelity China Special Situations	China/greater China	(15.1)	Tritax Big Box REIT	Property – UK logistics	(24.5)
abrdn China	China/greater China	(14.9)	Aseana Properties	Property rest of world	(24.5)
Miton UK Microcap	UK smaller companies	(13.9)	Schroder UK Public Private	Growth capital	(24.1)
arbdn UK Smaller Companies Growth	UK smaller companies	(11.7)	Life Science REIT	Property – UK commercial	(23.7)

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

China's rigid adherence to a zero-COVID policy is hitting its economic output. Sentiment was already against the country as an increasingly authoritarian government makes bellicose statements about its neighbours. An ongoing problem with bad debt in the property sector is also weighing on returns. All four funds in the China/greater China sector feature in the list.

The other country that has fallen further out of favour over the quarter is the UK. International investors have been wary of our economy since Brexit, but the new government's disastrous 'mini' budget has put pressure on sterling, bond yields and growth forecasts. Funds focused on UK smaller companies are generally reckoned

to be more exposed to the health of the UK economy and have been hit hardest. Both microcap funds and a number of smaller companies funds, including EPE Special Opportunities which also backs small, albeit mostly unlisted companies, feature on the list of fallers. The falls in EPE and Chelverton UK Dividend's NAVs are amplified by their zero dividend preference shares.

In share price terms, Chrysalis' write down of its holding in Klarna further knocked confidence in the stock (we published a note on the fund which explores what is happening within its portfolio). Fellow growth capital stock Schroder UK Public Private had its problems too, writing off Rutherford Health, which used to be its largest investment, in the quarter.

The other theme dominating the share price falls was the hit to property funds from expectations of rising valuation yields (pushing down NAVs). Previously favoured areas such as logistics (which includes Tritax EuroBox) were hit hardest. Investors' expectation is that the NAVs will probably catch up with the share prices in time.

Significant rating changes by fund

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

Fund	Sector	30 Sep disc (%)	30 Jun disc (%)	Fund	Sector	30 Sep disc (%)	30 Jun disc (%)
Doric Nimrod Air One	Leasing	(3.4)	(45.9)	Chrysalis	Growth capital	(62.3)	(36.3)
Macau Property Opportunities	Property- rest of world	(53.0)	(69.4)	Value and Indexed Property Income	Property – UK commercial	(36.4)	(12.9)
Chelverton UK Dividend	UK equity income	11.0	(4.9)	Life Science REIT	Property – UK commercial	(29.5)	(6.0)
Doric Nimrod Air Three	Leasing	76.1	62.1	Warehouse REIT	Property – UK logistics	(37.8)	(15.1)
Independent	UK all companies	(3.6)	(16.8)	Balanced Commercial Property	Property – UK commercial	(46.1)	(25.0)
Fundsmith Emerging Equities	Global emerging markets	(3.5)	(14.4)	Syncona	Biotechnology and healthcare	(16.9)	3.1
Doric Nimrod Air Two	Leasing	(6.0)	(16.1)	Tritax EuroBox	Property – Europe	(48.7)	(28.8)
Residential Secure Income	Property – UK residential	(1.5)	(9.5)	Home REIT	Property – UK residential	(21.9)	(2.2)
SME Credit Realisation	Debt – direct lending	(13.4)	(21.1)	Tritax Big Box REIT	Property – UK logistics	(43.7)	(25.3)
F&C Investment Trust	Global	(2.1)	(9.6)	Urban Logistics REIT	Property – UK logistics	(31.3)	(13.5)

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

Getting more expensive

Doric Nimrod Air One's success in selling its main asset encouraged a re-rating of other Doric Nimrod funds. Macau Property's property sales resulted in a narrowing

of its discount, but there is still a long way to go. Chelverton UK Dividend's premium looks odd given its poor NAV returns. The premium has moderated a bit since the end of the quarter. Independent announced that it would merge with Monks Investment Trust and this helped narrow its discount. Fundsmith Emerging Equities plan to liquidate. Residential Secure Income bucked the trend of discount widening within the property sectors during the quarter but has succumbed since. SME Credit Realisation is getting closer to the end of its life. The pleasing thing (to us anyway) is to see F&C Investment Trust on this list. It and Alliance Trust have done a good job of keeping their discounts in check through the recent turmoil.

Getting cheaper

The discount on Chrysalis continues to widen. The managers have ceased making new investments and are instead focused on preserving value within the existing portfolio. Not everything will survive, but the managers would argue that the market is being too pessimistic about the prospects of the portfolio as a whole.

Property-focused funds dominate the list of widening discounts for reasons already discussed. QuotedData's Richard Williams had the opportunity to interview Life Science REIT's Simon Farnsworth recently. You can listen back to the interview here.

Syncona bucked the trend of better performance for the biotechnology and healthcare sector. This may reflect its bias to unlisted investments, which have not been re-rated, as well as its membership of the FTSE250 Index, which has been a target for short-sellers.

Money raised and returned

Money raised (LHS) and returned (RHS) in £m over Q3 2022

Fund	Sector	£m raised	Fund	Sector	£m returned
HICL Infrastructure	Infrastructure	160.0	Scottish Mortgage	Global	85.9[1]
SDCL Energy Efficiency	Renewable energy	135.0	Pershing Square Holdings	North America	79.1[1]
VH Global Sustainable Energy Opportunities	Renewable energy	122.0	Monks	Global	48.5[1]
Capital Gearing	Flexible investment	100.3[1]	Finsbury Growth and Income	UK equity income	36.9[1]
Pantheon Infrastructure	Infrastructure	80.8	Witan	Global	35.2[1]
Ruffer	Flexible investment	61.8[1]	Alliance	Global	32.8[1]
Digital9 Infrastructure	Infrastructure	60.0	Smithson	Global smaller companies	30.7[1]
Personal Assets	Flexible investment	36.1[1]	Worldwide Healthcare	Biotechnology and healthcare	28.8[1]
City of London	UK equity income	25.7[1]	Polar Capital Technology	Technology	23.2[1]

Source: Morningstar, Marten & Co. Note 1) value of shares issued/repurchased as at 30 September 2022

Money coming in

There were no new issues during the quarter. Three funds did try to IPO but were stymied by market conditions:

- Sustainable Farmland Trust was targeting £200m, it "decided to pause its initial public offering due to the current high levels of market volatility and uncertainty" on 10 October 2022;
- Welkin China Private Equity extended the closing date for its IPO to end October; and

- Independent Living REIT, which was targeting £150m, decided not to proceed with its IP on 30 September 2022.

HICL Infrastructure raised £160m to pay down its revolving credit facility (RCF). Likewise, SDCL Energy Efficiency raised £135m to pay down its RCF and provide capital to fund pipeline opportunities. VH Global Sustainable Energy Opportunities was hoping to raise £150m to help fund opportunities including Mexican onshore wind, hydropower in Brazil, and flexible carbon capture and storage in the UK.

Pantheon Infrastructure raised £80.8m as its subscription shares issued in connection with its IPO) were all exercised. However, a subsequent attempt to raise an additional £250m has been abandoned.

Digital9 Infrastructure raised £60m in July, but it was probably hoping for more. The money went towards paying for its purchase of Arquiva. It is a shame that the retail investor part of the offer had to be scaled back as we are still playing by EU prospectus rules.

Otherwise, flexible investment funds, which seek to protect investors from the worst of market falls, were understandably in demand. City of London, which has an enviable track record of increasing its dividend each year for many decades, was also issuing shares.

In addition (not shown in table), LXI REIT expanded as it absorbed Secure Income REIT and JPMorgan Global Growth and Income grew as it absorbed Scottish Investment Trust.

Money going out

The money going out column reflect share buybacks from a group of relatively large trusts. In addition, ScotGems was placed into liquidation on 8 September 2022.

Major news stories over Q3 2022

Portfolio developments

- HICL to acquire Texas Nevada transmission and Hornsea II windfarm
- Oakley Capital backs vLex
- Renewables Infrastructure battery storage investment
- Abrdn UK Smaller Companies - Nimmo bows out
- NextEnergy enters new jv with Eelpower
- JLEN Environmental Assets investment in commercial glasshouse-controlled environment space
- Another good year for City of London
- Very disappointing year for JPMorgan Mid Cap
- Murray Income misses out on value rally
- JLEN Environmental Assets/Foresight Solar battery project
- Bluefield Solar posts strongest results since IPO
- Pantheon will battle discount with buybacks
- HydrogenOne backs Strohm pipeline business
- Taylor Maritime announces all cash offer for Grindrod Shipping
- Hipgnosis Songs to receive withheld streaming revenues - US Copyright Royalty Board decision
- JPMorgan Global Core Real Assets boosted by private and liquid strategies
- Schroder British Opportunities held back by listed holdings
- BB Biotech shares rise as sector sees signs of recovery
- Henderson Diversified Income hit by ‘fundamental change in perception of inflation’

Corporate news

- SDCL Energy Efficiency Income looking to raise £100m
- Finally, a solution to the Trian 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
- Independent and Monks combine forces
- Time’s up for Axiom European Financial Debt
- Aberdeen New India to introduce conditional tender offer following underperformance
- Octopus Renewables Infrastructure seeks shareholder approval to invest more in offshore wind farms
- Digital 9 Infrastructure fundraise pulls in £60m
- HICL Infrastructure announces fundraise
- Seraphim Space updates on plans for remaining cash
- JPMorgan Russian hopes to shift focus to Emerging Europe, the Middle East and Africa

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
- Supermarket Income REIT goes on £76m shopping spree
- Palace Capital to become focused on ESG
- Impact Healthcare REIT raises £22.3m in placing
- Town Centre Securities sells stake in parking app at huge uplift

Managers and fees

- Sam Vecht becomes lead manager of BlackRock Latin American
- Tritax Eurobox appoints new fund manager
- JPMorgan American's Parton announces retirement, while trust reports tough start to 2022
- Templeton Emerging Markets reduces management fee
- abrdn New Dawn cuts fees
- Ruffer's Hamish Baillie to step down after 20 years

QuotedData views

- GP struggles may significant – 1 July
- Multi-manager trusts – a safe haven in current choppy markets? – 8 July
- (Half) year in review – 15 July
- Is the tide finally turning for biotech? – 22 July
- More power to battery growth story – 29 July
- The logistics paradox – 5 August
- Meaningful mergers – 12 August
- Small is beautiful – 19 August
- Here comes the rain again – 9 September
- If you can't beat 'em, join 'em? – 16 September
- Supermarket sweep – 23 September
- Managers question UK small cap weakness – 30 September

*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.

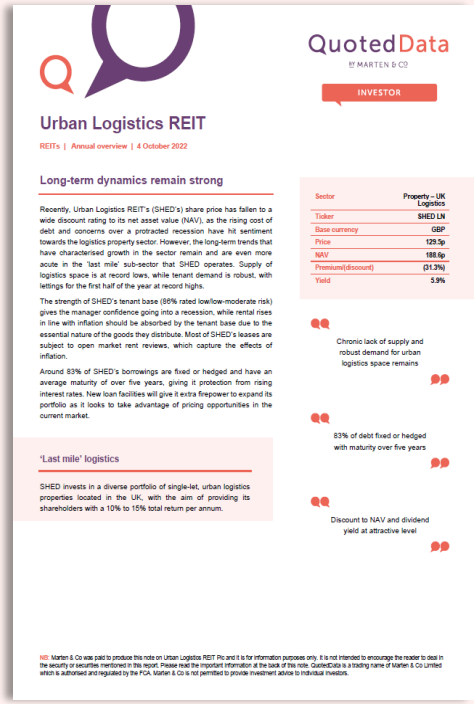
- Seraphim Space presentation, 17 October
- Diverse Income AGM 2022, 18 October
- abrdn UK Smaller Companies Growth AGM, 20 October
- Schroder BSC Social Impact presentation, 24 October
- Mid Wynd AGM, 26 October
- The London Investor Show 2022, 27 October
- AIC investment company showcase, 28 October
- JPMorgan Mid Cap AGM, 1 November
- Murray Income AGM, 1 November
- Murray Income shareholder presentation, 2 November
- JLEN Environmental at UK Investor Magazine conference, 8 November
- European Opportunities AGM, 16 November
- Pacific Horizon AGM, 24 November
- CQS New City High Yield AGM, 1 December
- Ashoka India Equity, 8 December

Interviews

Every Friday at 11 am, we run through the more interesting bits of the week's news and we usually have a special guest discussing 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

Research notes published over Q3 2022



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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 (86% rated low/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.

Sector	Property – UK Logistics
Ticker	SHED LN
Base currency	GBP
Price	129.5p
NAV	188.6p
Premium/(discount)	(31.3%)
Yield	5.9%

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

NB: Marten & Co was paid to produce this note on Urban Logistics REIT Plc and it is for information purposes only. It is not intended to encourage the reader to deal in the security or securities mentioned in this report. Please read the important information at the back of this note. QuotedData is a trading name of Marten & Co Limited which is authorised and regulated by the FCA. Marten & Co is not permitted to provide investment advice to individual investors.

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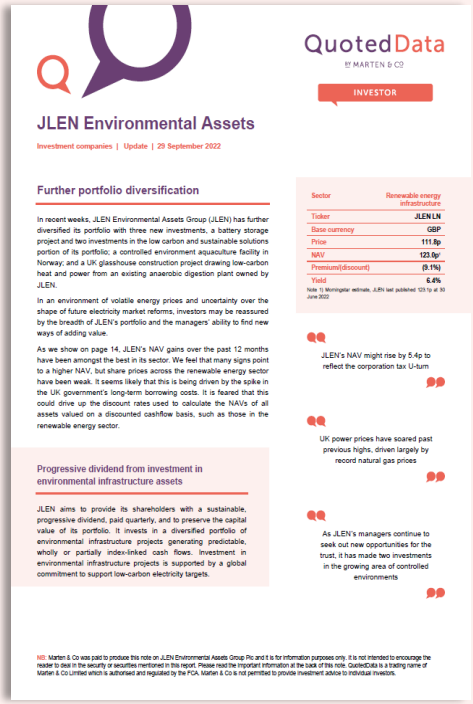
In recent weeks, JLEN Environmental Assets Group (JLEN) has further diversified its portfolio with three new investments, a battery storage project and two investments in the low carbon and sustainable solutions portion of its portfolio; a controlled environment aquaculture facility in Norway; and a 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.



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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.

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.

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 feared 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.

Sector	Renewable energy infrastructure
Ticker	JLEN LN
Base currency	GBP
Price	111.8p
NAV	123.0p[1]
Premium/(discount)	(9.1%)
Yield	6.4%

Note 1: Morningstar estimate. JLEN last published 123.1p at 30 June 2022

JLEN's NAV might rise by 5.4p 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

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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.

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.

Focused portfolio of UK growth equities

BGUK aims to achieve capital growth by investing in a concentrated portfolio (35–65 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.

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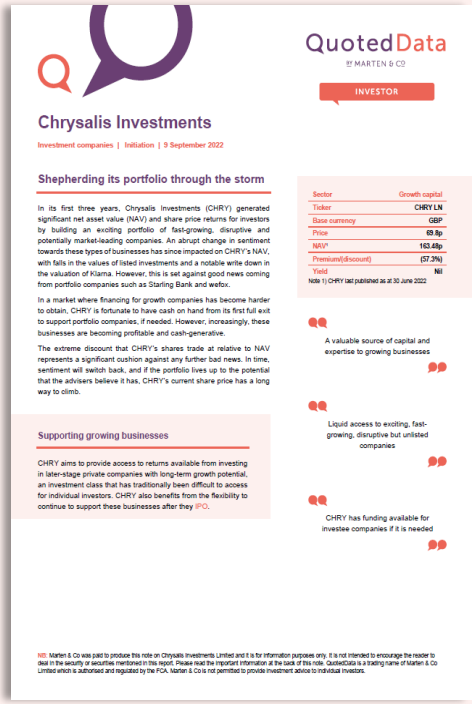

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Chrysalis Investments

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.

Sector	Growth capital
Ticker	CHRY LN
Base currency	GBP
Price	69.8p
NAV[1]	163.48p
Premium/(discount)	(57.3%)
Yield	Nil

Note 1) CHRY last 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

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.

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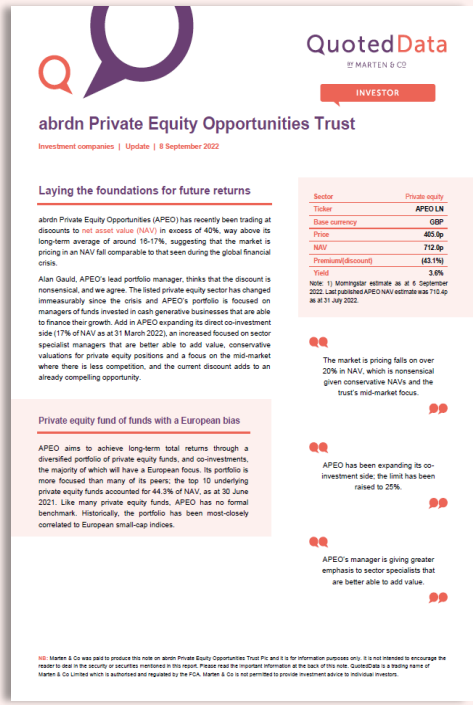

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abrdn Private Equity Opportunities Trust

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 focused 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.

Sector	Private equity
Ticker	APEO LN
Base currency	GBP
Price	405.0p
NAV	712.0p
Premium/(discount)	(43.1%)
Yield	3.6%

Note: 1) Morningstar estimate as at 6 September 2022. Last published APEO NAV estimate was 710.4p 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 25%.

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

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 indices.

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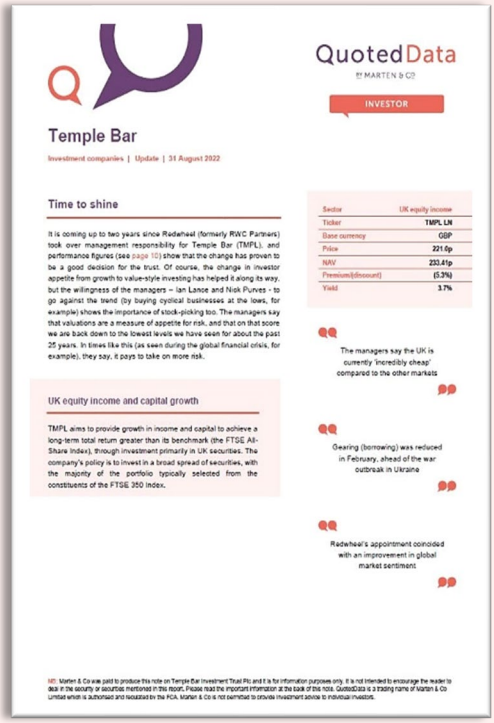

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Temple Bar

Investment companies | Update | 31 August 2022

Time to shine

It is coming up to two years since Redwheel (formerly RWC Partners) took over management responsibility for Temple Bar (TMPL), and performance figures (see page 10) show that the change has proven to be a good decision for the trust. Of course, the change in investor appetite from growth to value-style investing has helped it along its way, but the willingness of the managers – Ian Lance and Nick Purves – to go against the trend (by buying cyclical businesses at the lows, for example) shows the importance of stock-picking too. The managers say that valuations are a measure of appetite for risk, and that on that score we are back down to the lowest levels we have seen for about the past 25 years. In times like this (as seen during the global financial crisis, for example), they say, it pays to take on more risk.

Sector	UK equity income
Ticker	TMPL LN
Base currency	GBP
Price	321.6p
NAV	233.41p
Premium/(discount)	(5.3%)
Yield	3.7%

The managers say the UK is currently 'incredibly cheap' compared to the other markets

Gearing (borrowing) was reduced in February, ahead of the war outbreak in Ukraine

Redwheel's appointment coincided with an improvement in global market sentiment

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 the majority of the portfolio typically selected from the constituents of the FTSE 350 index.

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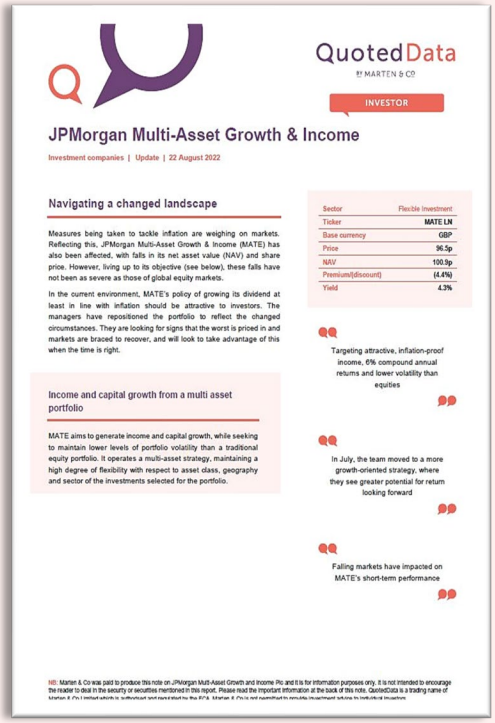

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JPMorgan Multi-Asset Growth & Income

Investment companies | Update | 22 August 2022

Navigating a changed landscape

Measures being taken to tackle inflation are weighing on markets. Reflecting this, JPMorgan Multi-Asset Growth & Income (MATE) has also been affected, with falls in its net asset value (NAV) and share price. However, living up to its objective (see below), these falls have not been as severe as those of global equity markets.

In the current environment, MATE's policy of growing its dividend at least in line with inflation should be attractive to investors. The managers have repositioned the portfolio to reflect the changed circumstances. They are looking for signs that the worst is priced in and markets are braced to recover, and will look to take advantage of this when the time is right.

Income and capital growth from a multi asset portfolio

MATE aims to generate income and capital growth, while seeking to maintain lower levels of portfolio volatility than a traditional equity portfolio. It operates a multi-asset strategy, maintaining a high degree of flexibility with respect to asset class, geography and sector of the investments selected for the portfolio.

Sector	Flexible Investment
Ticker	MATE LN
Base currency	GBP
Price	96.5p
NAV	100.9p
Premium/(discount)	(4.4%)
Yield	4.3%

Targeting attractive, inflation-proof income, 6% compound annual returns and lower volatility than equities

In July, the team moved to a more growth-oriented strategy, where they see greater potential for return looking forward

Falling markets have impacted on MATE's short-term performance

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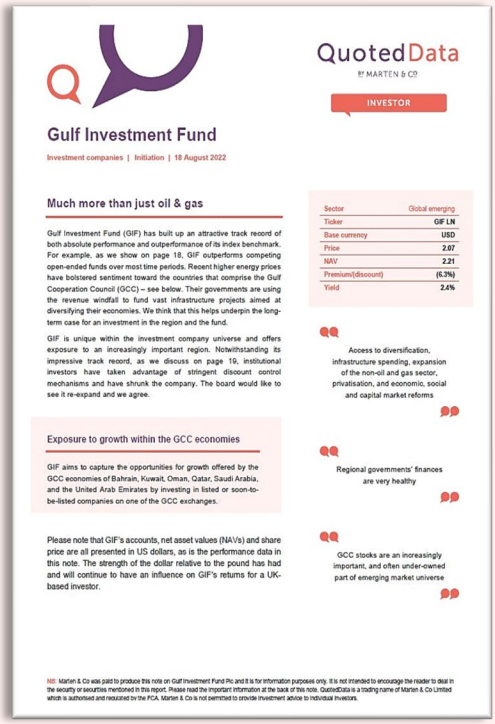
Gulf Investment Fund (GIF) has built up an attractive track record of both absolute performance and outperformance of its index benchmark. For example, as we show on page 18, GIF outperforms competing open-ended funds over most time periods. Recent higher energy prices have bolstered sentiment toward the countries that comprise the Gulf Cooperation Council (GCC) – see below. Their governments are using the revenue windfall to fund vast infrastructure projects aimed at diversifying their economies. We think that this helps underpin the long-term case for an investment in the region and the fund



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Gulf Investment Fund

Investment companies | Initiation | 18 August 2022

Much more than just oil & gas

Gulf Investment Fund (GIF) has built up an attractive track record of both absolute performance and outperformance of its index benchmark. For example, as we show on page 18, GIF outperforms competing open-ended funds over most time periods. Recent higher energy prices have bolstered sentiment toward the countries that comprise the Gulf Cooperation Council (GCC) – see below. Their governments are using the revenue windfall to fund vast infrastructure projects aimed at diversifying their economies. We think that this helps underpin the long-term case for an investment in the region and the fund.

GIF is unique within the investment company universe and offers exposure to an increasingly important region. Notwithstanding its impressive track record, as we discuss on page 19, institutional investors have taken advantage of stringent discount control mechanisms and have shrunk the company. The board would like to see it re-expand and we agree.

Exposure to growth within the GCC economies

GIF aims to capture the opportunities for growth offered by the GCC economies of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates by investing in listed or soon-to-be-listed companies on one of the GCC exchanges.

Please note that GIF's accounts, net asset values (NAVs) and share price are all presented in US dollars, as is the performance data in this note. The strength of the dollar relative to the pound has had and will continue to have an influence on GIF's returns for a UK-based investor.

Sector	Global emerging
Ticker	GIF LN
Base currency	USD
Price	2.07
NAV	2.21
Premium/(discount)	(6.3%)
Yield	2.4%

Access to diversification, infrastructure spending, expansion of the non-oil and gas sector, privatisation, and economic, social and capital market reforms

Regional governments' finances are very healthy

GCC stocks are an increasingly important, and often under-owned part of emerging market universe

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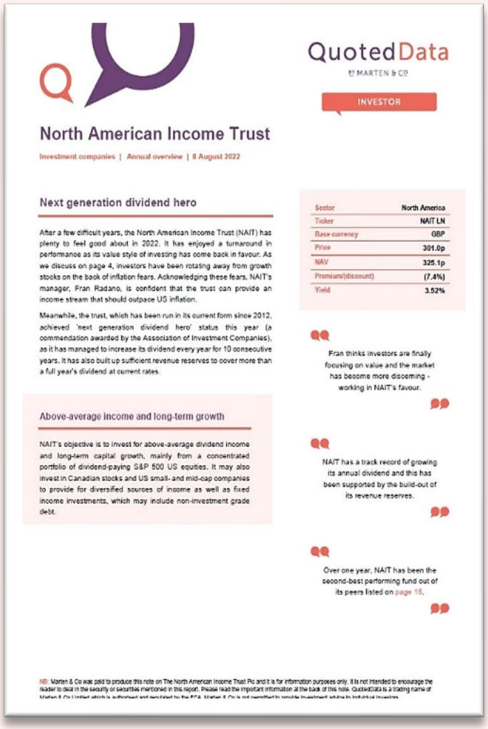

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North American Income Trust

Investment companies | Annual overview | 8 August 2022

Next generation dividend hero

After a few difficult years, the North American Income Trust (NAIT) has plenty to feel good about in 2022. It has enjoyed a turnaround in performance as its value style of investing has come back in favour. As we discuss on page 4, investors have been rotating away from growth stocks on the back of inflation fears. Acknowledging these fears, NAIT's manager, Fran Radano, is confident that the trust can provide an income stream that should outpace US inflation.

Meanwhile, the trust, which has been run in its current form since 2012, achieved 'next generation dividend hero' status this year (a commendation awarded by the Association of Investment Companies), as it has managed to increase its dividend every year for 10 consecutive years. It has also built up sufficient revenue reserves to cover more than a full year's dividend at current rates.

Above-average income and long-term growth

NAIT's objective is to invest for above-average dividend income and long-term capital growth, mainly from a concentrated portfolio of dividend-paying S&P 500 US equities. It may also invest in Canadian stocks and US small- and mid-cap companies to provide for diversified sources of income as well as fixed income investments, which may include non-investment grade debt.

Sector	North America
Ticker	NAIT LN
Base currency	GBP
Price	301.0p
NAV	325.1p
Premium/(discount)	(7.4%)
Yield	3.52%

Fran thinks investors are finally focusing on value and the market has become more discerning - working in NAIT's favour.

NAIT has a track record of growing its annual dividend and this has been supported by the build-out of its revenue reserves.

Over one year, NAIT has been the second-best performing fund out of its peers listed on page 18.

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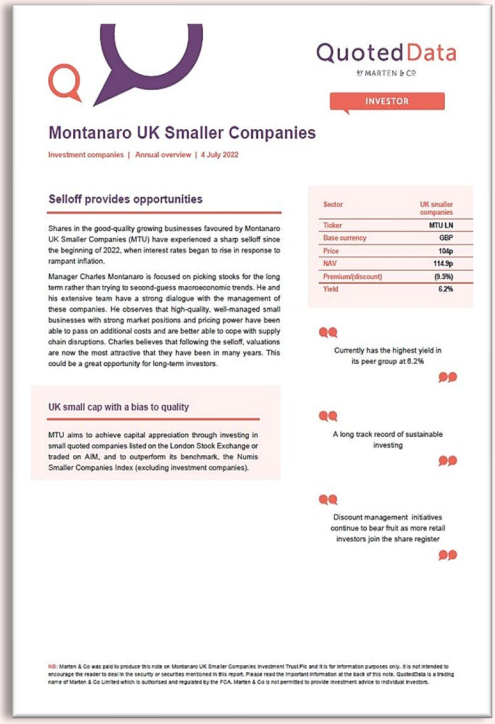
Shares in the good-quality growing businesses favoured by Montanaro UK Smaller Companies (MTU) have experienced a sharp selloff since the beginning of 2022, when interest rates began to rise in response to rampant inflation. Manager Charles Montanaro is focused on picking stocks for the long term rather than trying to second-guess macro trends. He and his extensive team have a strong dialogue with the management of these companies. He observes that high-quality, well-managed small businesses with strong market positions and pricing power have been able to pass on additional costs and are better able to cope with supply chain disruptions.



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Montanaro UK Smaller Companies

Investment companies | Annual overview | 4 July 2022

Selloff provides opportunities

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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).

Sector	UK smaller companies
Ticker	MTU LN
Base currency	GBP
Price	104p
NAV	114.9p
Premium/(discount)	(9.5%)
Yield	6.2%

Currently has the highest yield in its peer group at 6.2%

A long track record of sustainable investing

Discount management initiatives continue to bear fruit as more retail investors join the share register

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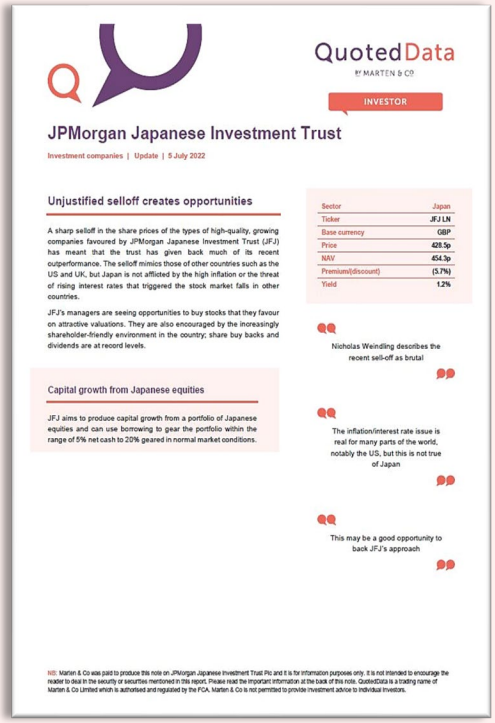

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JPMorgan Japanese Investment Trust

Investment companies | Update | 5 July 2022

Unjustified selloff creates opportunities

A sharp selloff in the share prices of the types of high-quality, growing companies favoured by JPMorgan Japanese Investment Trust (JFJ) has meant that the trust has given back much of its recent outperformance. The selloff mimics those of other countries such as the US and UK, but Japan is not afflicted by the high inflation or the threat of rising interest rates that triggered the stock market falls in other countries.

JFJ's managers are seeing opportunities to buy stocks that they favour on attractive valuations. They are also encouraged by the increasingly shareholder-friendly environment in the country; share buy backs and dividends are at record levels.

Sector	Japan
Ticker	JFJ LN
Base currency	GBP
Price	428.5p
NAV	454.3p
Premium/(discount)	(5.7%)
Yield	1.2%

Nicholas Weindling describes the recent sell-off as brutal

Capital growth from Japanese equities

JFJ aims to produce capital growth from a portfolio of Japanese equities and can use borrowing to gear the portfolio within the range of 5% net cash to 20% geared in normal market conditions.

The inflation/interest rate issue is real for many parts of the world, notably the US, but this is not true of Japan

This may be a good opportunity to back JFJ's approach

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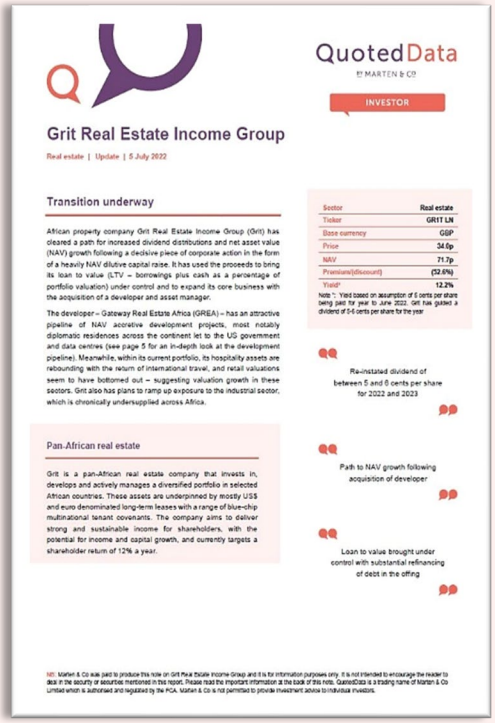
African property company Grit Real Estate Income Group (GR1T) has cleared a path for increased dividend distributions and net asset value (NAV) growth following a decisive piece of corporate action in the form of a heavily NAV dilutive capital raise. It has used the proceeds to bring its loan to value (LTV – borrowings plus cash as a percentage of portfolio valuation) under control and to expand its core business with the acquisition of a developer and asset manager.



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Grit Real Estate Income Group

Real estate | Update | 5 July 2022

Transition underway

African property company Grit Real Estate Income Group (Grit) has cleared a path for increased dividend distributions and net asset value (NAV) growth following a decisive piece of corporate action in the form of a heavily NAV dilutive capital raise. It has used the proceeds to bring its loan to value (LTV – borrowings plus cash as a percentage of portfolio valuation) under control and to expand its core business with the acquisition of a developer and asset manager.

The developer – Gateway Real Estate Africa (GREA) – has an attractive pipeline of NAV accretive development projects, most notably diplomatic residences across the continent let to the US government and data centres (see page 5 for an in-depth look at the development pipeline). Meanwhile, within its current portfolio, its hospitality assets are rebounding with the return of international travel, and retail valuations seem to have bottomed out – suggesting valuation growth in these sectors. Grit also has plans to ramp up exposure to the industrial sector, which is chronically undersupplied across Africa.

Sector	Real estate
Ticker	GR1T LN
Base currency	GBP
Price	34.0p
NAV	71.7p
Premium/(discount)	(52.6%)
Yield[1]	12.2%

Note 1: Yield based on assumption of 5 cents per share being paid for year to June 2022. Grit has guided a dividend of 5-6 cents per share for the year

Re-instated dividend of between 5 and 6 cents per share for 2022 and 2023

Pan-African real estate

Grit is a pan-African real estate company that invests in, develops and actively manages a diversified portfolio in selected African countries. These assets are underpinned by mostly US$ and euro denominated long-term leases with a range of blue-chip multinational tenant covenants. The company aims to deliver strong and sustainable income for shareholders, with the potential for income and capital growth, and currently targets a shareholder return of 12% a year.

Path to NAV growth following acquisition of developer

Loan to value brought under control with substantial refinancing of debt in the offing

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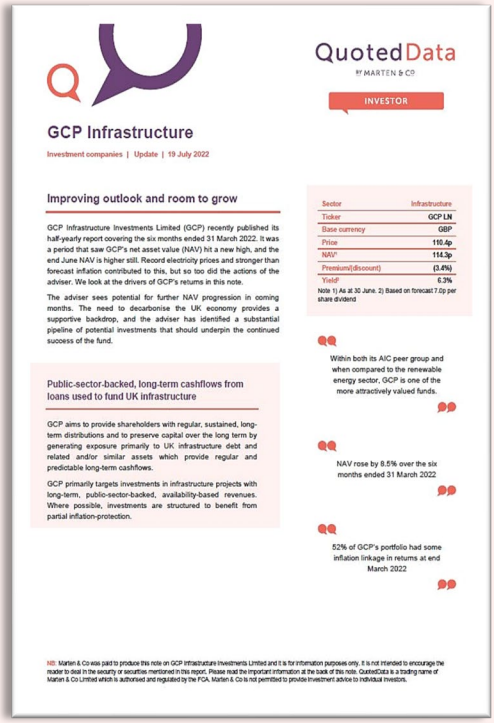

QuotedData
BY MARTEN & CO
INVESTOR

GCP Infrastructure

Investment companies | Update | 19 July 2022

Improving outlook and room to grow

GCP Infrastructure Investments Limited (GCP) recently published its half-yearly report covering the six months ended 31 March 2022. It was a period that saw GCP's net asset value (NAV) hit a new high, and the end June NAV is higher still. Record electricity prices and stronger than forecast inflation contributed to this, but so too did the actions of the adviser. We look at the drivers of GCP's returns in this note.

The adviser sees potential for further NAV progression in coming months. The need to decarbonise the UK economy provides a supportive backdrop, and the adviser has identified a substantial pipeline of potential investments that should underpin the continued success of the fund.

Sector	Infrastructure
Ticker	GCP LN
Base currency	GBP
Price	110.4p
NAV[1]	114.3p
Premium/(discount)	(3.4%)
Yield[2]	6.3%

Note 1) As at 30 June. 2) Based on forecast 7.0p per share dividend

Within both its AIC peer group and when compared to the renewable energy sector, GCP is one of the more attractively valued funds.

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

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

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

NAV rose by 8.5% over the six months ended 31 March 2022

52% of GCP's portfolio had some inflation linkage in returns at end March 2022

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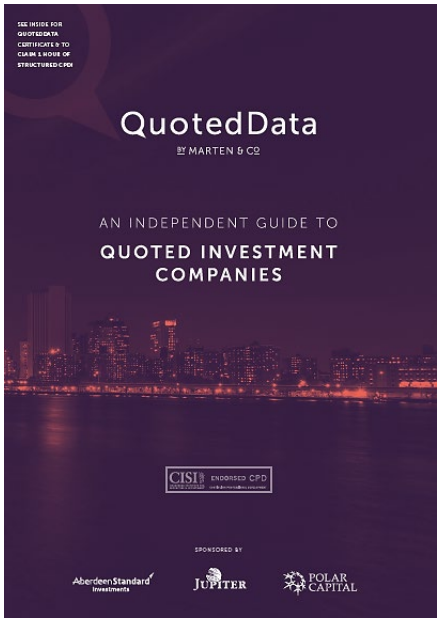
Guide



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 share price return over Q3 2022

	Share price Q3 22 TR (%)	NAV Q3 22 TR (%)	Discount 30/09/22 (%)	Median market cap 30/09/22 (£m)	Number of companies in the sector
Insurance & Reinsurance Strategies	50.8	8.5	(21.3)	33.3	2
India	16.0	17.5	(16.8)	282.2	4
Leasing	15.7	6.6	(26.5)	110.1	8
Financials	10.5	6.0	(10.5)	415.5	2
Biotechnology & Healthcare	10.1	10.3	(6.7)	695.0	6
North American Smaller Companies	7.0	4.9	(12.5)	189.7	2
Latin America	6.7	12.3	(13.7)	71.4	2
Japanese Smaller Companies	6.0	6.3	(8.6)	149.8	5
Property - Rest of World	5.4	0.0	(60.9)	34.0	4
North America	4.8	1.3	(6.6)	476.8	6
Global Emerging Markets	3.6	1.2	(12.5)	344.2	11
Debt - Structured Finance	3.4	5.5	(18.1)	165.6	6
Technology & Media	3.3	0.6	(12.5)	909.5	3
Japan	3.1	2.4	(10.2)	225.0	6
Debt - Direct Lending	2.5	1.9	(16.3)	153.9	8
Asia Pacific Smaller Companies	2.2	2.2	(11.7)	325.6	3

	Share price Q3 22 TR (%)	NAV Q3 22 TR (%)	Discount 30/09/22 (%)	Median market cap 30/09/22 (£m)	Number of companies in the sector
Liquidity Funds	1.7	0.2	(3.8)	4.4	2
Infrastructure Securities	1.0	(4.7)	(1.5)	137.5	2
Global	0.6	0.2	(7.6)	419.3	16
Debt - Loans & Bonds	0.4	0.1	(6.2)	119.9	15
Hedge Funds	0.4	4.7	(15.3)	103.9	8
Global Smaller Companies	(0.5)	(0.9)	(18.1)	686.2	5
Commodities & Natural Resources	(0.9)	0.0	(5.8)	62.7	9
Farmland & Forestry	(0.9)	0.0	1.7	182.4	1
Private Equity	(1.4)	1.0	(40.0)	630.4	19
Renewable Energy Infrastructure	(1.6)	1.5	(6.3)	529.5	22
Global Equity Income	(2.0)	(1.1)	(7.3)	315.5	7
Asia Pacific	(2.3)	(2.8)	(10.6)	461.8	6
Country Specialist	(2.7)	(2.1)	(12.1)	118.9	5
Europe	(2.8)	(3.6)	(14.0)	326.0	7
Environmental	(3.3)	0.1	(17.9)	75.6	3
Asia Pacific Equity Income	(4.2)	(4.8)	(9.6)	353.8	5
Flexible Investment	(4.5)	(0.8)	(5.9)	87.7	20
UK Equity Income	(4.9)	(6.8)	(4.2)	235.7	24
UK All Companies	(5.4)	(7.5)	(11.0)	174.2	9
Property - Debt	(5.6)	0.2	(15.7)	194.8	4
Infrastructure	(7.5)	1.0	(3.2)	1,007.5	10
UK Equity & Bond Income	(9.1)	(7.7)	(4.5)	186.6	1
UK Smaller Companies	(9.6)	(8.5)	(14.0)	119.4	24
European Smaller Companies	(9.7)	(7.2)	(15.0)	398.4	4
Property - Europe	(10.1)	2.8	(41.3)	364.4	5
Property - UK Residential	(11.9)	1.2	(28.2)	345.3	7
Royalties	(12.6)	1.5	(32.6)	693.9	2
Property - UK Healthcare	(12.6)	1.5	(15.1)	491.4	2
Growth Capital	(12.7)	0.0	(46.8)	145.6	7
Property - UK Commercial	(13.2)	1.1	(34.3)	248.4	14
China / Greater China	(22.5)	(16.2)	(11.8)	246.9	4
Property - UK Logistics	(24.5)	0.0	(37.8)	611.2	3
MEDIAN	(1.2)	0.4	(12.5)	241.3	6

Source: Morningstar, Marten & Co. Note: all figures represent median values of the constituent funds from each sector. To 30/09/22

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