



# January 2023

Monthly roundup | Investment companies

## Winners and losers in December 2022

The Financials sector only has two constituents, one of these – Trian Investors 1 – has seen its discount narrow since it promised to return cash to investors by next June, and it has also benefited from underlying NAV appreciation. Last month's winner – China – continued to rebound as the economy reopened. This probably contributed towards more positive sentiment for Asia Pacific smaller companies. It also helped drive up the price of Macau Property Opportunities on hopes of a resurgence in Chinese tourism and this was the main driver of higher prices within the property – rest of the world sector. Leasing funds moved higher as Doric Nimrod Air One's plan to sell its only asset reached a conclusion and SLF Realisation's discount narrowed, possibly in anticipation of a further a return of capital following one early in December.

### Best performing sectors in December 2022 by total price return

|                                | Median share price total return (%) | Median NAV total return (%) | Median discount 31/12/22 (%) | Median sector market cap 31/12/22 (£m) | Number of companies in the sector |
|--------------------------------|-------------------------------------|-----------------------------|------------------------------|--|-----------------------------------|
| Financials                     | 5.9                                 | (1.0)                       | (2.4)                        | 465.5                                  | 2                                 |
| China/greater China            | 5.9                                 | 6.2                         | (8.6)                        | 266.8                                  | 4                                 |
| Asia Pacific smaller companies | 4.7                                 | (0.5)                       | (10.4)                       | 355.2                                  | 4                                 |
| Leasing                        | 3.2                                 | 0.0                         | (28.4)                       | 124.4                                  | 8                                 |
| Property – rest of the world   | 2.7                                 | 0.0                         | (64.7)                       | 32.3                                   | 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

US stocks fell on fears of rising interest rates, hitting growth stocks in particular – Baillie Gifford US Growth was the worst-performing fund in the sector in price terms – and this also had an impact on the environmental, and technology and media sectors. Worries about the strength of demand and a possible recession were other factors weighing on markets. Investors appear to be factoring in further NAV weakness in the property – UK logistics sector.

### Worst performing sectors in December 2022 by total price return

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|----------------------------------|-------------------------------------|-----------------------------|------------------------------|--|-----------------------------------|
| North America                    | (5.3)                               | (6.2)                       | (7.9)                        | 461.8                                  | 6                                 |
| North American smaller companies | (4.5)                               | (6.5)                       | (10.2)                       | 205.6                                  | 2                                 |
| Environmental                    | (3.8)                               | (4.9)                       | (16.8)                       | 74.0                                   | 3                                 |
| Property – UK logistics          | (3.1)                               | 0.0                         | (31.0)                       | 639.5                                  | 3                                 |
| Technology and media             | (3.0)                               | (8.9)                       | (12.1)                       | 881.8                                  | 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

## Best performing funds in total NAV (LHS) and share price (RHS) terms over December 2022

| Fund                         | Sector               | (%) | Fund                               | Sector                       | (%)  |
|------------------------------|----------------------|-----|------------------------------------|------------------------------|------|
| Rockwood Strategic           | UK smaller companies | 8.6 | Atrato Onsite Energy               | Renewable energy             | 20.4 |
| abrdn China                  | China/greater China  | 8.2 | RTW Venture                        | Biotechnology and healthcare | 17.7 |
| Fidelity China               | China/greater China  | 6.4 | Macau Property Opportunities       | Property – rest of the world | 14.3 |
| JPMorgan China Growth & Inc  | China/greater China  | 6.1 | abrdn Property Income              | Property – UK commercial     | 14.3 |
| Baillie Gifford China Growth | China/greater China  | 4.8 | Triam Investors 1                  | Financials                   | 13.1 |
| VietNam Holding              | Country specialist   | 4.0 | SLF Realisation                    | Leasing                      | 12.8 |
| Boussard & Gavaudan EUR      | Hedge Funds          | 3.6 | Chrysalis Investments              | Growth capital               | 12.4 |
| Tritax EuroBox EUR           | Property – Europe    | 3.6 | abrdn Private Equity Opportunities | Private equity               | 10.7 |
| VinaCapital Vietnam Opp      | Country specialist   | 3.0 | Montanaro UK Smaller Companies     | UK smaller companies         | 10.4 |
| Chelverton UK Dividend       | UK equity income     | 2.9 | abrdn Equity Income                | UK equity income             | 10.3 |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/12/22

Rockwood Strategic is benefitting from bids for two of its holdings, accounting for almost a third of its portfolio in aggregate. The next four best-performing funds in NAV terms are all focused on China, which (as discussed above) has seen its stock market rise as the government lifts COVID restrictions. Two Vietnamese funds make the list as that market recovers some of the ground that it lost in the autumn. One of these – Vietnam Enterprise – is being interviewed on our weekly show on [13 January](#) and the other was the subject of a [recent note](#). The Euro strengthened relative to the pound over December which accounts for the presence of Boussard and Gavaudan and Tritax EuroBox in the table. UK value stocks had a good month; Chelverton UK Dividend's NAV rose as a result, with the move amplified by the gearing provided by its zero dividend preference shares.

In price terms, the surprise winner was Atrato Onsite Energy. Its interim results (published at the end of November) reflected the slow deployment of its IPO proceeds. However, investors seem to have embraced the positive message that new investments will be made on more attractive terms, as yields have risen since the fund listed. RTW Venture had some good news as Prometheus Biosciences, its third-largest holding, announced encouraging clinical trial data. Macau Property Opportunities, Train Investors 1 and SLF Realisation were all discussed above. abrdn Property Income refinanced its debt (we also published [a note](#) on the trust just before Christmas). Chrysalis Investments continues to re-rate following its well-received capital markets day, in which it introduced analysts and investors to a number of its portfolio companies. We wrote [an article](#) for Investment Trust Insider on the back of it. We have also been highlighting the very wide discounts that many private equity trusts are trading on. abrdn Private Equity Opportunities still looks oversold to us despite December's price move.

### Worst-performing

Funds with significant US technology exposure dominate the list of worst-performing funds in NAV terms. Funds with holdings in stocks such as Tesla (off 37%), Apple (off 12%), and Amazon (off 13%) were hit. This includes JPMorgan American, Baillie Gifford US Growth and Scottish Mortgage as well as the two large cap technology funds – Polar Capital Technology and Allianz Technology.

Aurora has a large position in Frasers Group (the former Sports Direct) and its shares fell after the publication of its interim results on falling margins and a poor outlook for the UK consumer. The Uranium price remains volatile, affecting Geiger Counter. Large cap Indian funds were hit by profit-taking, allowing India Capital Growth to extend its lead over Aberdeen New India and JPMorgan Indian.

## Worst performing funds in total NAV (LHS) and share price (RHS) terms over December 2022

| Fund                      | Sector                            | (%)   | Fund                             | Sector                            | (%)    |
|---------------------------|-----------------------------------|-------|----------------------------------|-----------------------------------|--------|
| Polar Capital Technology  | Technology and media              | (9.0) | Home REIT                        | Property – UK residential         | (22.0) |
| JPMorgan American         | North America                     | (8.9) | Pollen Street                    | Debt – direct lending             | (20.4) |
| Allianz Technology        | Technology and media              | (8.9) | Gulf Investment Fund             | Global emerging markets           | (12.0) |
| Aurora                    | UK all companies                  | (8.4) | Geiger Counter                   | Commodities and natural resources | (11.5) |
| Geiger Counter            | Commodities and natural resources | (7.9) | Alternative Income REIT          | Property – UK commercial          | (10.0) |
| Aberdeen New India        | India                             | (7.7) | Triple Point Social Housing REIT | Property – UK residential         | (9.4)  |
| Baillie Gifford US Growth | North America                     | (7.7) | Seraphim Space                   | Growth capital                    | (8.9)  |
| JPMorgan Indian           | India                             | (7.3) | Aurora                           | UK all companies                  | (8.7)  |
| Scottish Mortgage         | Global                            | (7.2) | Polar Capital Technology         | Technology and media              | (8.0)  |
| JPMorgan US Smaller       | North American smaller            | (7.0) | Ceiba Investments                | Property – rest of the world      | (8.0)  |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/12/22

In price terms, the big casualty for the second month running was Home REIT, which now trades on about a 67% discount. After last month's short-seller attack, an activist investor called for the board to step down, then a law firm launched a litigation claim on behalf of shareholders. Since the year end, the trust's shares have been suspended as additional audit work is delaying the publication of its results. We had figured that Pollen Street would leave the sector after Honeycomb merged with its management company, but as yet, this has not happened. A trading update published at the end of November tried to sound an upbeat note, but we think investors are concerned about the possibility of higher defaults, and the dividend cut that accompanied the merger removes some of the stock's attractions.

Gulf Investment Fund's shares moved to trade on a discount in December, as the region has given back some of its earlier strong performance, perhaps triggered by a weaker oil price. However, since the middle of December, the share price and the NAV have been moving in different directions and we would reiterate the message of our [last note](#) – the region is much more than just about oil and gas. Alternative Income REIT's discount widened over the month and is now about average for the sector. Triple Point Social Housing REIT has exposure to a registered provider of social housing – My Space – which is in rent arrears and has been criticised by the Regulator.

## Moves in discounts and premiums

Atrato Onsite Energy was discussed above as was Trian Investors 1. RTW Venture is yet to announce its end December NAV and so its discount does not reflect the 167% jump in Prometheus Biosciences' share price over December.

The elimination of the discounts on abrdn Equity Income and Montanaro UK Smaller Companies over the course of December likely reflects steady buying by retail investor fans of these trusts.

The reasons behind the widening discounts in the table have largely been discussed already. BH Macro's shift to a more modest premium looked sensible to us. However, the premium has re-expanded since the end of the year. Its NAV has been fairly flat since the end of August, some of investors' enthusiasm for the trust may yet wane.

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

| Fund                 | Sector                 | Disc/<br>Prem<br>31/12/22<br>(%) | Disc/<br>Prem<br>30/11/22<br>(%) | Fund                    | Sector                    | Disc/<br>Prem<br>31/12/22<br>(%) | Disc/<br>Prem<br>30/11/22<br>(%) |
|----------------------|------------------------|----------------------------------|----------------------------------|-------------------------|---------------------------|----------------------------------|----------------------------------|
| Atrato Onsite Energy | Renewable energy       | 2.6                              | (14.5)                           | Pollen Street           | Debt – direct lending     | (50.0)                           | (36.3)                           |
| RTW Venture          | Biotech and healthcare | (13.6)                           | (27.3)                           | Home REIT               | Property – UK residential | (67.3)                           | (56.8)                           |
| Triano Investors 1   | Financials             | 1.7                              | (10.0)                           | Gulf Investment Fund    | Global emerging markets   | (4.4)                            | 3.9                              |
| abrdn Equity Income  | UK equity income       | 1.4                              | (10.3)                           | Alternative Income REIT | Property – UK commercial  | (31.2)                           | (23.2)                           |
| Montanaro UK Smaller | UK smaller companies   | 3.4                              | (6.8)                            | BH Macro USD            | Hedge funds               | 5.0                              | 12.4                             |

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

## Money raised and returned

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

| Fund                      | Sector                    | £m raised | Fund              | Sector                   | £m returned |
|---------------------------|---------------------------|-----------|-------------------|--------------------------|-------------|
| Ruffer Investment Company | Flexible investment       | 21.3      | Pershing Square   | North America            | (22.4)      |
| TwentyFour Income         | Debt – structured finance | 15.9      | Scottish Mortgage | Global                   | (16.9)      |
| Capital Gearing           | Flexible investment       | 7.3       | Alliance Trust    | Global                   | (10.7)      |
| City of London            | UK equity income          | 6.5       | Smithson          | Global smaller companies | (10.5)      |
| Invesco Bond Income Plus  | Debt – loans and bonds    | 6.2       | Witan             | Global                   | (8.9)       |

Source: Morningstar, Marten & Co. Note: excludes trusts with market caps below £15m at 31/12/22. Note: based on the approximate value of shares at 31/12/22

This month we said goodbye to JPMorgan Elect as that trust was absorbed by JPMorgan Global Growth and Income.

Issuance and shrinkage in the above table largely reflect tap issues (dripping stock into the market to match ongoing demand) and share buy backs. The names are the usual suspects with the exception of Invesco Bond Income Plus. We have been suggesting that investors' interest in debt/bond funds may grow as the yields that they generate rise. We talked to Rhys Davies, manager of the trust, in our weekly show at the [beginning of December](#).

## Major news stories and QuotedData views over December 2022

### Portfolio developments

- Bluefield Solar acquires two ground-mounted assets
- Crystal Amber requisitions meeting of Hurricane Energy
- Renewables Infrastructure ups exposure to German offshore wind
- Oakley Capital backs PROFounders III
- Octopus Renewables updates on portfolio and taxes
- Harmony buys three pipeline projects
- RTW gets boost from Prometheus trial
- Rockwood Strategic updates on Crestchic and Bonhill
- International Public Partnerships now in New Zealand
- VH Global backs Brazilian hydropower

### Corporate news

- Ground Rents Income is considering its future
- VPC Speciality Lending proposes managed wind down
- Infrastructure India no longer a going concern

### Property news

- LondonMetric buys retail park for £38m
- LXI REIT extends Travelodge leases
- Home REIT to strengthen management and board **after** litigation claim

### Manager news

- Manager line-up changed at JPMorgan Indian
- Stefan Gries now sole manager of BlackRock Greater Europe
- ThomasLloyd Energy Impact senior appointments
- US Solar updates on investment manager personnel

### QuotedData views

- Rear (QD)view mirror – 28 December
- The inflation trade – an early Christmas present – 16 December
- Finsbury Growth and Income – time to jump aboard the Train? – 9 December
- Investing in Europe at a time of recession – 2 December

Visit [www.quoteddata.com](http://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:

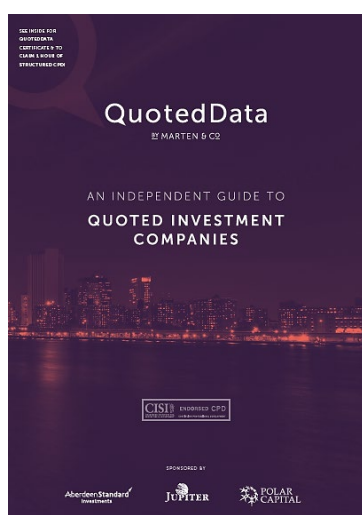
- Finsbury Growth & Income AGM – 17 January
- abrdn Equity Income manager presentation – 20 January
- Lowland AGM – 25 January
- Majedie Investments AGM – 25 January
- Henderson European Focus AGM – 26 January
- Baring Emerging EMEA Opps AGM – 26 January
- Global Smaller Companies manager presentation – 26 January
- Starwood European Real Estate Finance EGM – 27 January
- abrdn Equity Income AGM – 2 February
- JPMorgan Indian AGM – 2 February
- Baillie Gifford European AGM – 2 February
- BlackRock Frontier Markets AGM – 7 February
- Schroder UK Mid Cap manager presentation – 7 February
- Master Investor – 18 March
- QuotedData's property conference – 18 May

## 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                         |
|------------------|------------------------------|------------------|-------------------------------|
| 30 September     | BSIF, discount rates         | Masaki Taketsume | Schroder Japan Growth         |
| 7 October        | VNH, SONG                    | Simon Farnsworth | Life Science REIT             |
| 14 October       | TMI, HEIT                    | Jonathan Maxwell | SDCL Energy Efficiency        |
| 21 October       | HICL, DORE                   | Ross Driver      | Foresight Solar Fund          |
| 28 October       | JPE, JRS                     | Joe Bauernfreund | AVI Japan Opportunity         |
| 4 November       | ROOF, CYN, PEY               | Jason Baggaley   | abrdn Property Income         |
| 11 November      | MAJE, TLEI, CRS              | James de Uphaugh | Edinburgh Investment Trust    |
| 18 November      | Long Term Assets, Renewables | Jeff O'Dwyer     | Schroder European Real Estate |
| 25 November      | Renewables, DGI9, NBMI, HOME | Bruce Stout      | Murray International          |
| 2 December       | CHRY, SYNC                   | Rhys Davies      | Invesco Bond Income Plus      |
| 9 December       | VSL, RTW, SYNC               | Stuart Widdowson | Odyssean                      |
| 16 December      | HOME, API, FSF               | Richard Aston    | CC Japan Income and Growth    |
| <b>Coming up</b> |                              |                  |                               |
| 6 January        |                              | Andrew McHattie  | Review of 2022                |
| 13 January       |                              | Thao Ngo         | Vietnam Enterprise            |
| 20 January       |                              | Stephanie Sirota | RTW Venture Fund              |
| 27 January       |                              | Eileen Fargis    | Ecofin US Renewables          |

## 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](http://www.quoteddata.com) if you would like it emailed to you directly.

## Research

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BY MARTEN & CO

INVESTOR

### Polar Capital Technology

Investment companies | Annual overview | 8 December 2022

#### Jockeying for position

Weakened risk appetite among investors as macroeconomic headwinds persist has seen the technology sector suffer. As investors retreated to the sector titans (stocks such as Microsoft and Apple), Polar Capital Technology's (PCT's) underweight position in these companies has seen it underperform its benchmark over the 12 months to the end of November, while its exposure to 'next-generation' software companies has also been a source of underperformance versus legacy stocks as IT budgets are disproportionately squeezed.

PCT's manager, Ben Rogoff, is undeterred by this and plans to take advantage of valuation compression to double-down on its 'next-generation' thematic position and will continue the portfolio's pivot towards secular growth stocks (such as software companies), focusing on companies with strong balance sheets that can perform well in a more challenging backdrop.

Recent inflation data and a more dovish central bank rhetoric suggests that peak inflation may have been hit, which should result in an easing of interest rate expectations and a raising of investor appetite for technology stocks.

#### Global growth from tech portfolio

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

| Sector           | Technology and media |
|------------------|----------------------|
| Index            | PCT LN               |
| Base currency    | GBP                  |
| Price            | 1002.7p              |
| NAV              | 208.7p               |
| Premium/Discount | (7.7%)               |
| Yield            | Nil                  |

- Looking to return to a more fully invested position
- Continue to tilt portfolio towards secular growth stocks
- Depressed valuations offer opportunity to double-down on 'next-generation' thematic position

Nil. Marten & Co was paid to produce this note on Polar Capital Technology Plc and is for information purposes only. It is not intended to encourage the reader to take any investment or regulatory action. Please read the report in its entirety on the day of this note. QuotedData is a trading name of Marten & Co Limited which is authorised and regulated by the Financial Conduct Authority (FCA). Marten & Co is not permitted to provide investment advice to individual investors categorised as Retail Clients under the rules of the Financial Conduct Authority.

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Pacific Horizon (PHI) has in 2022 found itself at a convergence of both negative sentiment towards Asia and growth stocks more generally (a function of lockdowns in China, a slowing global economy and rising interest rates). While this has dented its performance in the short term and pushed it down its peer group rankings, the manager remains confident in the portfolio, highlighting that many of its companies are cheap (Asia Pacific ex Japan equities are trading at close to their five-year lows on a price-earnings (P/E) basis, and look cheap versus global equities more generally), are cash generative and retain their strong growth prospects.

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INVESTOR

### Pacific Horizon

Investment companies | Annual overview | 8 December 2022

#### Convergence opportunity

Pacific Horizon (PHI) has in 2022 found itself at a convergence of both negative sentiment towards Asia and growth stocks more generally (a function of lockdowns in China, a slowing global economy and rising interest rates). While this has dented its performance in the short term and pushed it down its peer group rankings (see pages 22 to 24), the manager remains confident in the portfolio, highlighting that many of its companies are cheap (Asia Pacific ex Japan equities are trading at close to their five-year lows on a price-earnings (P/E) basis, and look cheap versus global equities more generally), are cash generative and retain their strong growth prospects.

Reflecting the current poor sentiment, PHI's discount to net asset value (NAV) is approaching its five-year high (excluding a brief spell during COVID), which offers investors an additional layer of comfort as it could lighten its investment program.

#### Focused on Asia ex Japan growth stocks

PHI invests in the Asia-Pacific region (excluding Japan) and in the Indian subcontinent in order to achieve capital growth. The company is prepared to move freely between the markets of the region as opportunities to grow vary. The portfolio will normally consist mostly of equities, although it may hold up to 15% of total assets in unlisted investment opportunities, measured at the end of value investment.

| Sector           | Asia Pacific |
|------------------|--------------|
| Index            | PHI LN       |
| Base currency    | GBP          |
| Price            | 327.6p       |
| NAV              | 634.6p       |
| Premium/Discount | (51.9%)      |
| Yield            | 0.2%         |

- Growth will ultimately outpace the returns of structurally-challenged companies with lower or no growth prospects.
- PHI is now trading at a discount that is at the wide end of its five-year range.
- If signs emerge that inflation is easing under control and interest rates starting to fall, PHI could see its current discount narrow.

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It has been a busy few months for NextEnergy Solar Fund (NESF) and the listed renewable energy sector. The share price may have come under pressure from the threat of windfall taxes – see page 6 – and rising discount rates (used to discount NESF's future cash flows into a present-day valuation for its net asset values – NAVs), but the picture on these points is clearer, and – as the latest results show – NESF's NAV is still making positive progress.

Despite having coped well with COVID and offering very strong growth prospects over the next five years (see page 6), the Vietnamese stock market has been weighed down by severe negative sentiment towards Asia in recent months. This is likely a function of lockdowns in China, slowing global economic growth and rising interest rates in the West.

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### NextEnergy Solar Fund

Investment companies | Update | 13 December 2022

#### Earnings visibility underpins dividend target

It has been a busy few months for NextEnergy Solar Fund (NESF) and the listed renewable energy sector. The share price may have come under pressure from the threat of windfall taxes – see page 6 – and rising discount rates (used to discount NESF's future cash flows into a present-day valuation for its net asset values – NAVs – see page 6), but the picture on these points is clearer, and – as the latest results show – NESF's NAV is still making positive progress.

Strong forecast earnings cover for the dividend and NESF's forward sales pipeline give the board confidence to increase its policy of at least matching dividend hikes with inflation, if shareholders give their approval for further expansion in this area, a push into energy storage offers another route to earnings growth.

The discount is wider than its long-term average. However, given the above, we think the shares can move back to trading at a premium to NAV and the fund can get back to raising fresh equity to back its extensive pipeline of revenue sensitive investments.

#### Income from solar focused portfolio

NESF aims to provide its shareholders with attractive risk-adjusted returns, primarily in the form of regular dividends, by investing in a diversified portfolio of primarily UK-based solar energy infrastructure assets.

| Sector           | Renewable energy infrastructure |
|------------------|---------------------------------|
| Index            | NESF LN                         |
| Base currency    | GBP                             |
| Price            | 189.4p                          |
| NAV              | 122.2p                          |
| Premium/Discount | (16.7%)                         |
| Yield            | 6.6%                            |

- NESF's full-year dividend cover may be towards the upper end of a range of 1.3x-1.5x
- Average outperformance of generation budget of 6.8% since launch
- New £200m joint venture energy storage partnership with Equinor

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INVESTOR

### Vietnam Holding Limited

Investment companies | Annual overview | 15 December 2022

#### A real growth story that remains intact

Despite having coped well with COVID and offering very strong growth prospects over the next five years (see page 6), the Vietnamese stock market has been weighed down by severe negative sentiment towards Asia in recent months. This is likely a function of lockdowns in China, slowing global economic growth and rising interest rates in the West.

Vietnam Holding (VNH) has outperformed local market indices by good margins. Nevertheless, it has lost value during the last twelve months and, reflecting this, its share price (discount to net asset value (NAV)) has widened. This could represent a significant opportunity. The Vietnamese market is cheap versus both global and emerging Asian peers. It could see a significant re-rating as growth comes through, with the potential for a narrower discount on VNH too.


#### Capital growth from a concentrated portfolio of high growth Vietnamese companies

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

| Sector           | Country specialist |
|------------------|--------------------|
| Index            | VNH LN             |
| Base currency    | GBP                |
| Price            | 207.8p             |
| NAV              | 364.7p             |
| Premium/Discount | (15.7%)            |
| Yield            | Nil                |

- Strong environmental, social and governance (ESG) focus.
- The Vietnamese market is cheap versus both global and emerging Asian peers.
- VNH's current discount could represent a significant opportunity.

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**abrdn Property Income Trust**  
REITs | Annual overview | 20 December 2022

**Laser focus on the basics**

Share price discounts to net asset values (NAVs) amongst commercial real estate companies has widened dramatically since the end of September after the disastrous 'mini'-budget spooked gilt markets and sent bond yields above property yields (implying that property yields will rise, and values fall). Things have since calmed down to some degree and even though the repricing of real estate has further to play out, the near 50% discount to NAV that abrdn Property Income Trust's (API – formerly Standard Life Investments Property Income Trust) shares trade on seems excessive.

Higher debt refinancing costs (due to the height of the volatility (when raised interest rate expectations were elevated) were disappointing but have since been expected on better terms. The manager has a strong track record of long-term performance and has a laser focus on being the basic well – that being growing rental income. API's portfolio has 23.2% of reversion (rental growth) potential, equivalent to £2.0m of additional annual net, which means selling deals and space under offer would boost earnings and bring its income rate back to 5%.

**UK commercial property exposure**

API aims to generate an attractive level of income, along with the prospect of both income and capital growth, by investing in a diversified portfolio of UK commercial property assets, in the industrial, office, retail and alternative sectors. API uses gearing with the aim of enhancing returns, with the current loan-to-value (LTV) ratio at 21.7%.

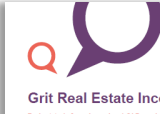
| Sector           | Property - UK Commercial |
|------------------|--------------------------|
| Ticker           | APIL LN                  |
| Base currency    | GBP                      |
| Price            | 55.5p                    |
| NAV              | 105.5p                   |
| Premium/Discount | (48.3%)                  |
| Yield            | 7.2%                     |

- Portfolio with lots of rental growth potential
- Dividend target of at least 4p for next two years
- Outperformed peer group over all time periods in NAV terms

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Share price discounts to net asset values (NAVs) amongst commercial real estate companies has widened dramatically since the end of September after the disastrous 'mini'-budget spooked gilt markets and sent bond yields above property yields (implying that property yields will rise, and values fall). Things have since calmed down to some degree and even though the repricing of real estate has further to play out, the near 50% discount to NAV that abrdn Property Income Trust's (API – formerly Standard Life Investments Property Income Trust) shares trade on seems excessive.

Pan-African property company Grit Real Estate Income Group (Grit) is on track to complete the acquisition of a controlling stake in developer Gateway Real Estate Africa (GREA) by May next year, which would unlock considerable potential for net asset value (NAV) and income growth for the fund.



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**Grit Real Estate Income Group**  
Real estate | Annual overview | 21 December 2022

**Going for growth**

Pan-African property company Grit Real Estate Income Group (Grit) is on track to complete the acquisition of a controlling stake in developer Gateway Real Estate Africa (GREA) by May next year, which would unlock considerable potential for net asset value (NAV) and income growth for the fund.

Grit's attractive portfolio of development projects includes diplomatic housing set to be the US government across the continent. Consequently, the composition of Grit's portfolio will change dramatically over the next few years, with corporate accommodation exposure growing materially and the US Embassy becoming Grit's largest tenant. Industrial and data centres are also prominent in the pipeline, while sales of properties in the retail and hospitality sectors will further shape the portfolio towards favourable asset classes.

The recent major restructuring of its borrowing facilities (see page 18) and plans to further reduce its loan-to-value (LTV) – borrowings plus cash as a percentage of portfolio valuations have put the group on a firm financial footing. Meanwhile, the re-establishment of its dividend track record should contribute to a re-rating of its share price (5x shares currently trade on a 40.5% discount to NAV).


**Pan-African real estate**

Grit is a pan-African real estate company that invests in and actively manages a diversified portfolio of assets in selected African countries (excluding South Africa). It aims to deliver strong and sustainable income for shareholders, with the potential for income and capital growth, and currently targets a net asset value return including NAV growth of 12% a year.

| Sector           | Real estate |
|------------------|-------------|
| Ticker           | GRTI LN     |
| Base currency    | GBP         |
| Price            | 23.5p       |
| NAV              | 65.5p       |
| Premium/Discount | (64.5%)     |
| Yield            | 11.1%       |

- Acquisition of developer to boost NAV and income growth
- Pipeline includes diplomatic housing set to US government
- High dividend yield and dividend growth expected

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**Henderson High Income**  
Investment companies | Update | 21 December 2022

**Does what it says on the tin**

Whilst 2022 has been a harrowing year for many trusts, Henderson High Income Trust (HHI) has generated a positive 12-month NAV return and still offers an attractive dividend yield, one of the highest amongst its peers (see page 16).

Its investment manager David Smith remains quietly confident about the medium-term prospects for the UK, believing that the country will experience a mild recession, and has begun to rotate HHI's portfolio into economically cyclical companies, where valuations are particularly attractive.

While, relative to the UK equity market, HHI has had an underweight exposure to the energy majors which have driven the returns of UK indices, it has been well-positioned in consumer staples and other defensive companies, which have held up remarkably well over 2022.

HHI's share price has also held up relative to its net asset value (NAV), having traded close to asset value throughout the year. In addition, HHI has now built up a record of 10 consecutive years of dividend growth, making it – in the eyes of the AIC – a next generation dividend hero.

**High income from a diverse UK equity income portfolio**

HHI invests in a carefully diversified selection of both well-known and smaller companies to provide investors with a high income stream while also maintaining the prospect of capital growth. Gearing is used to enhance income returns, and also to achieve capital growth over time. A portion of gearing is usually invested in fixed-interest securities, which helps dampen the overall volatility of the trust.

| Sector           | UK Equity and Bond Income |
|------------------|---------------------------|
| Ticker           | HHI LN                    |
| Base currency    | GBP                       |
| Price            | 183.5p                    |
| NAV              | 182.5p                    |
| Premium/Discount | 0.5%                      |
| Yield            | 6.2%                      |

- When compared to the UK equity income sector, HHI has one of the highest yields
- HHI's portfolio has begun to rotate into cyclical companies
- HHI's manager believes that his holdings are well placed to absorb inflationary pressures

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Whilst 2022 has been a harrowing year for many trusts, Henderson High Income Trust (HHI) has generated a positive 12-month NAV return and still offers an attractive dividend yield, one of the highest amongst its peers.

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## 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 Dec (%) | NAV TR Dec (%) | Disc. 31/12/22 (%) | Disc. 30/11/22 (%) | Change in disc. (%) | Median mkt cap 31/12/22 (£m) |
|----------|------------------------------------|------------------------|----------------|------------------------|----------------|--------------------|--------------------|---------------------|------------------------------|
| 1        | Insurance & reinsurance strategies | 492.5                  | 509.5          | (1.0)                  | 1.8            | (22.0)             | (23.8)             | 1.7                 | 29.7                         |
| 2        | Leasing                            | 63.5                   | 17.3           | 0.0                    | 3.2            | (28.4)             | (30.3)             | 1.9                 | 124.4                        |
| 3        | Latin America                      | 15.9                   | 16.3           | (5.3)                  | 0.2            | (11.3)             | (15.4)             | 4.1                 | 70.9                         |
| 4        | Farmland & forestry                | 10.2                   | 7.1            | 0.0                    | (0.7)          | 0.7                | 1.4                | (0.7)               | 181.9                        |
| 5        | Financials                         | 5.9                    | (11.4)         | (1.0)                  | 5.9            | (2.4)              | (8.5)              | 6.2                 | 465.5                        |
| 6        | Renewable energy infrastructure    | 5.2                    | 17.5           | 0.0                    | (0.2)          | (4.2)              | (3.9)              | (0.4)               | 534.4                        |
| 7        | Debt - structured finance          | 4.5                    | 5.7            | 0.6                    | 0.6            | (17.4)             | (16.5)             | (1.0)               | 151.4                        |
| 8        | Hedge funds                        | 3.6                    | 6.7            | 0.2                    | (0.5)          | (12.4)             | (14.8)             | 2.4                 | 80.6                         |
| 9        | Asia Pacific smaller companies     | 2.1                    | 6.0            | (0.5)                  | 4.7            | (10.4)             | (14.5)             | 4.1                 | 355.2                        |
| 10       | UK equity & bond income            | (1.1)                  | (3.3)          | (0.2)                  | (1.1)          | 0.6                | 0.5                | 0.2                 | 214.5                        |
| 11       | Asia Pacific equity income         | (1.1)                  | (3.1)          | (1.3)                  | 1.0            | (8.4)              | (10.1)             | 1.7                 | 365.1                        |
| 12       | Debt - direct lending              | (1.4)                  | 5.6            | 0.0                    | 2.2            | (14.4)             | (16.8)             | 2.4                 | 165.6                        |
| 13       | Global equity income               | (1.9)                  | (1.2)          | (2.7)                  | (1.4)          | 0.6                | (2.0)              | 2.6                 | 286.0                        |
| 14       | UK equity income                   | (2.3)                  | (6.8)          | (1.1)                  | 0.3            | (3.1)              | (4.5)              | 1.3                 | 320.1                        |
| 15       | North America                      | (2.3)                  | 0.0            | (6.2)                  | (5.3)          | (7.9)              | (9.7)              | 1.8                 | 438.2                        |
| 16       | Infrastructure securities          | (2.4)                  | (2.7)          | (1.3)                  | (0.1)          | (7.1)              | (8.6)              | 1.5                 | 136.3                        |
| 17       | India                              | (2.5)                  | (1.6)          | (6.3)                  | (1.9)          | (11.9)             | (17.4)             | 5.4                 | 266.1                        |
| 18       | Liquidity funds                    | (3.4)                  | 1.5            | 0.3                    | 2.1            | (8.5)              | (5.3)              | (3.3)               | 1.3                          |
| 19       | Debt - loans & bonds               | (4.2)                  | (4.8)          | (0.1)                  | 0.5            | (6.0)              | (6.9)              | 0.9                 | 123.8                        |
| 20       | Infrastructure                     | (10.4)                 | 10.2           | 0.0                    | 0.2            | (5.8)              | (5.5)              | (0.3)               | 902.5                        |
| 21       | Flexible investment                | (10.9)                 | (3.5)          | 0.0                    | (0.0)          | (13.2)             | (10.4)             | (2.8)               | 89.2                         |
| 22       | Global emerging markets            | (12.3)                 | (13.3)         | (1.6)                  | 2.0            | (8.2)              | (12.4)             | 4.2                 | 244.2                        |
| 23       | Property - debt                    | (12.4)                 | 5.2            | 1.0                    | 0.4            | (17.0)             | (16.9)             | (0.1)               | 190.0                        |
| 24       | Europe                             | (12.5)                 | (11.0)         | (1.2)                  | (1.9)          | (11.7)             | (10.9)             | (0.8)               | 373.6                        |
| 25       | Private equity                     | (13.2)                 | 5.6            | 0.0                    | (1.1)          | (37.1)             | (36.7)             | (0.4)               | 413.0                        |
| 26       | Asia Pacific                       | (15.1)                 | (12.1)         | (2.3)                  | (0.8)          | (8.6)              | (10.3)             | 1.6                 | 458.8                        |
| 27       | Property - UK commercial           | (15.8)                 | 6.9            | 0.0                    | (1.5)          | (33.9)             | (30.0)             | (3.9)               | 245.5                        |
| 28       | Global                             | (16.8)                 | (14.3)         | (4.4)                  | (2.7)          | (8.5)              | (8.1)              | (0.3)               | 697.1                        |
| 29       | Property - UK healthcare           | (17.3)                 | 8.6            | 0.0                    | 1.9            | (19.1)             | (20.3)             | 1.1                 | 461.2                        |
| 30       | Biotechnology & healthcare         | (17.8)                 | (5.6)          | (1.6)                  | 1.1            | (8.9)              | (8.9)              | (0.0)               | 609.6                        |
| 31       | North American smaller companies   | (17.8)                 | (9.8)          | (6.5)                  | (4.5)          | (10.2)             | (12.1)             | 1.9                 | 197.4                        |
| 32       | Commodities & natural resources    | (19.1)                 | 3.4            | (1.2)                  | (0.7)          | (9.1)              | (12.9)             | 3.8                 | 58.2                         |
| 33       | Royalties                          | (20.1)                 | 29.8           | 0.4                    | 2.5            | (40.4)             | (41.4)             | 0.9                 | 653.9                        |

| YTD Rank | Sector                     | Share price TR YTD (%) | NAV TR YTD (%) | Share price TR Dec (%) | NAV TR Dec (%) | Disc. 31/12/22 (%) | Disc. 30/11/22 (%) | Change in disc. (%) | Median mkt cap 31/12/22 (£m) |
|----------|----------------------------|------------------------|----------------|------------------------|----------------|--------------------|--------------------|---------------------|------------------------------|
| 34       | Japan                      | (20.9)                 | (16.4)         | (1.5)                  | (3.0)          | (9.4)              | (8.0)              | (1.5)               | 230.9                        |
| 35       | UK all companies           | (22.6)                 | (22.4)         | (1.2)                  | (2.4)          | (11.6)             | (12.6)             | 0.9                 | 191.0                        |
| 36       | Environmental              | (22.8)                 | (15.8)         | (4.9)                  | (3.8)          | (16.8)             | (17.4)             | 0.6                 | 71.2                         |
| 37       | Japanese smaller companies | (22.9)                 | (22.6)         | (1.1)                  | (2.2)          | (9.9)              | (7.7)              | (2.2)               | 153.9                        |
| 38       | Country specialist         | (23.8)                 | (23.8)         | 3.0                    | 1.9            | (14.3)             | (12.1)             | (2.2)               | 721.2                        |
| 39       | China / greater China      | (24.2)                 | (19.1)         | 6.2                    | 5.9            | (8.6)              | (10.0)             | 1.4                 | 266.8                        |
| 40       | Property - rest of world   | (24.9)                 | 2.1            | 0.0                    | 2.7            | (64.7)             | (66.3)             | 1.6                 | 32.3                         |
| 41       | European smaller companies | (27.2)                 | (25.3)         | 1.3                    | (2.1)          | (11.8)             | (10.0)             | (1.7)               | 461.6                        |
| 42       | UK smaller companies       | (28.5)                 | (24.7)         | (0.6)                  | 0.0            | (12.7)             | (13.6)             | 0.9                 | 123.9                        |
| 43       | Property - UK residential  | (28.8)                 | 9.5            | 1.0                    | (1.8)          | (44.9)             | (42.7)             | (2.2)               | 273.9                        |
| 44       | Global smaller companies   | (28.9)                 | (23.1)         | (2.3)                  | (1.4)          | (11.6)             | (12.1)             | 0.5                 | 769.7                        |
| 45       | Property - Europe          | (36.7)                 | 6.5            | 1.3                    | (1.2)          | (47.3)             | (44.9)             | (2.4)               | 282.3                        |
| 46       | Technology & media         | (36.8)                 | (31.0)         | (8.9)                  | (3.0)          | (12.1)             | (13.6)             | 1.5                 | 853.6                        |
| 47       | Property - UK logistics    | (38.1)                 | 12.6           | 0.0                    | (3.1)          | (31.0)             | (28.0)             | (3.0)               | 634.8                        |
| 48       | Growth capital             | (62.6)                 | (10.4)         | 0.0                    | (2.0)          | (48.8)             | (49.8)             | 1.1                 | 139.9                        |
|          | <b>MEDIAN</b>              | <b>(12.8)</b>          | <b>(2.1)</b>   | <b>(0.3)</b>           | <b>(0.3)</b>   | <b>(11.6)</b>      | <b>(12.3)</b>      | <b>0.9</b>          | <b>255.8</b>                 |

Source: Morningstar, Marten & Co



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