

Investment Companies Quarterly

Q2 2021

The activity levels and momentum from the start of the year continued at pace in the second quarter, as pent-up demand has been released. A total of £2.4bn has been raised by investment companies in Q2 2021, and this brings the total in the first half of 2021 to c.£6.2bn; the highest amount ever in a half-year period according to the AIC.

The Q2 quantum was driven in large part by secondary fundraisings undertaken by existing investment companies (£5.1bn), whereas the two IPOs in the quarter raised £279m; Taylor Maritime Investments (£179m) and Aquila Energy Efficiency (£100m). The total amount raised at IPO in the first half of the year amounted to £1.2bn across 5 new launches. This compares to the first half of 2020 which saw just one company launch raising £103m – Nippon Active Value Fund.

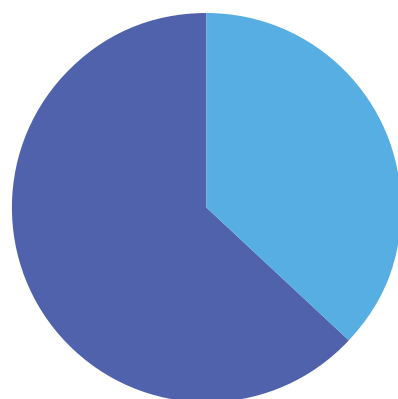
In total £937m was raised in Q2 by Renewables, Infrastructure and Specialist Alternatives funds, including the IPOs of Aquila Energy Efficiency Trust and Taylor Maritime Investments. The most active sectors were Private Equity (22%) and Global (22%), followed by Renewables (16%) and Infrastructure (15%). Within Infrastructure, digital-focused concepts continued to be the rising stars with both new launches from earlier in the year raising a follow-on amount shortly thereafter in Q2: Cordiant Digital Infrastructure raised gross proceeds of £370m at IPO in February 2021 and in Q2 £185m via a C-share issuance, whilst Digital 9 Infrastructure raised gross proceeds of £267m at IPO in March 2021 and in Q2 £175m.

The largest fundraisings in Q2 by existing investment companies were Schiehallion's C-share (£498m), Cordiant Digital Infrastructure (£185m), Digital 9 Infrastructure (£175m) and Gore Street Energy Storage (£135m).

Investors continue to seek not only growth opportunities in smaller and unquoted companies but also income-generating alternatives such as renewable energy assets and infrastructure as well as new emerging alternative areas like digital infrastructure. Investors are looking increasingly for both income and capital growth. Although income remains a priority, investors appear to be seeking out exciting, higher returning investment opportunities, with a view to optimising total returns and diversified exposure across alternative and emerging asset classes.

The Investment Companies Universe – as at 30 June 2021

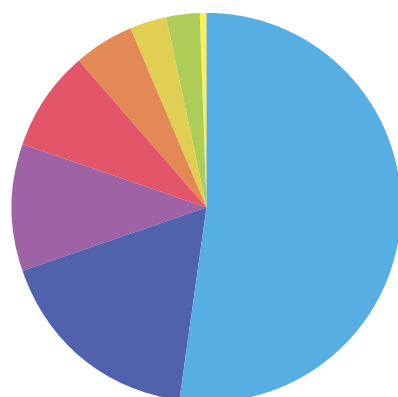
Investment Companies by Market Cap.



Alternatives	37.1%
Equity	62.9%

Equity focused funds continue to outweigh alternative asset classes by market capitalisation of listed funds.

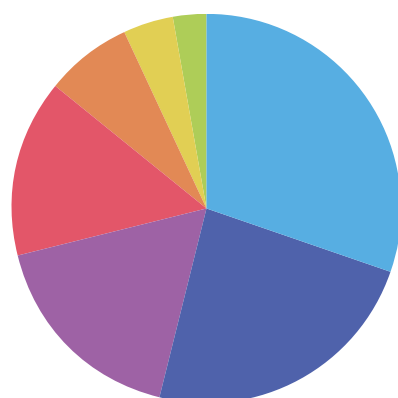
Equity Investment Company by Region / Genre



Equity type	Market Cap (£m)
Global	70,618
UK	23,807
Asia Pacific	14,363
Specialist Equity	11,206
Europe	6,837
Japan	4,155
North America	3,637
Emerging markets	526

Global is the most prominent equity sector by far, accounting for >50% of all equity trusts by market capitalisation.

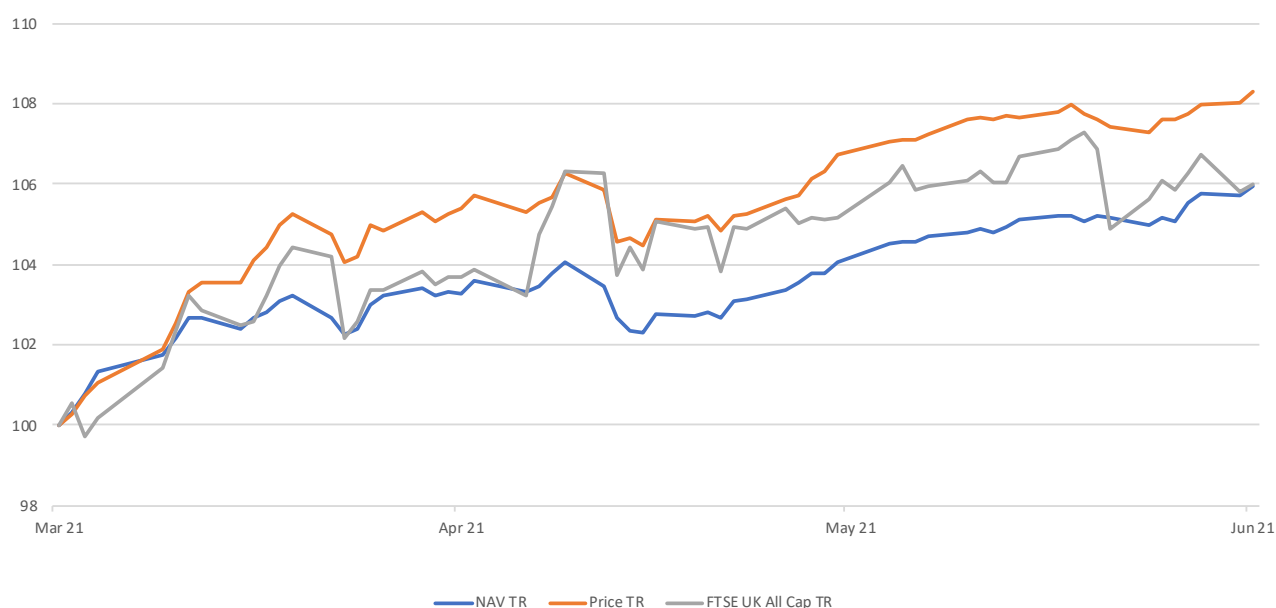
Alternative Asset Investment Funds by Asset Class



Alternative asset class	Market Cap (£m)
Private Equity	24,205
Property	18,736
Infrastructure	13,799
Renewables	11,710
Debt	5,725
Specialist	3,292
Hedge Funds	2,204

Investment Company Performance

Morningstar UK Listed Investment Trusts, excl. VCT



The NAV total return of UK investment trusts has underperformed marginally compared to the FTSE UK All Cap index over the quarter, however the price return has notably outperformed both

Top 5 NAV Total Return Performers

Company	TIDM	NAV TR (%)	Market Cap (£m)	Sector
Electra Private Equity Ord	ELTA	65.9	242	Private Equity
JZ Capital Partners Ord	JZCP	51.2	95	Global
Riverstone Energy Ord	RSE	33.9	212	Specialist Equity
BMO Commercial Property Trust	BCPT	29.6	719	Property
VietNam Holding Ord	VNH	28.6	113	Asia Pacific

Bottom 5 NAV Total Return Performers

Company	TIDM	NAV TR (%)	Market Cap (£m)	Sector
Syncona Ord	SYNC	-18.1	1,382	Specialist Equity
Ceiba Investments Ord	CBA	-13.0	97	Property
Augmentum Fintech Ord	AUGM	-12.3	237	Private Equity
Schroder UK Public Private Trust	SUPP	-9.6	304	UK
JLEN Environmental Assets Group Ord	JLEN	-9.3	601	Renewables

Note: we have excluded companies with market capitalisation <£25m and other anomalies from our population
Sectors based on Morningstar classifications
Source: AIC / Morningstar

Investment Company Ratings

Top 5 Premiums

Company	TIDM	Premium	Market Cap (£m)	Sector
All Active Asset Capital Limited	AAA	72.1	14	Global
Augmentum Fintech	AUGM	33.3	223	Private Equity
BBGI Global Infrastructure	BBGI	28.5	1,086	Infrastructure
Syncona	SYNC	24.9	1,688	Specialist Equity
3i	III	23.2	11,225	Private Equity

Top 5 Discounts

Company	TIDM	Discount	Market Cap (£m)	Sector
Amedeo Air Four Plus	AA4	-83.2	104	Specialist Alternatives
Dolphin Capital Investors	DCI	-77.6	34	Property
JZ Capital Partners	JZCP	-70.3	63	Global
Jade Road Investments	JADE	-69.2	26	Asia Pacific
Doric Nimrod Air One	DNA	-56.1	14	Specialist Alternatives

Top 5 Discount / Premium Improvers

Company	TIDM	Discount / Premium 31-Dec	Premium 31-Mar	Change (absolute %)	Market Cap (£)	Sector
Electra Private Equity	ELTA	-27	21	48	242	Private Equity
Chrysalis Investments Limited	CHRY	-5	19	24	1,346	Private Equity
Warehouse REIT	WHR	-7	11	18	637	Property
Phoenix Spree Deutschland	PSDL	-18	0	18	381	Property
Tufton Oceanic Assets	SHIP	-8	9	17	311	Specialist Alternative

Top 5 Discount / Premium Declines

Company	TIDM	Discount / Premium 31-Dec	Premium 31-Mar	Change (absolute %)	Market Cap (£)	Sector
Syncona	SYNC	31	7	-34	11	Specialist Equity
Augmentum Fintech	AUGM	22	7	-17	73	Private Equity
JLEN Environmental Assets Group	JLEN	21	8	-14	272	Renewables
Geiger Counter	GCL	11	1	-12	1,355	Specialist Equity
Ceiba Investments	CBA	-22	-32	-12	1,325	Property

Note: we have excluded companies with market capitalisation <£25m and other anomalies from our population
 Sectors based on Morningstar classifications
 Source: AIC / Morningstar

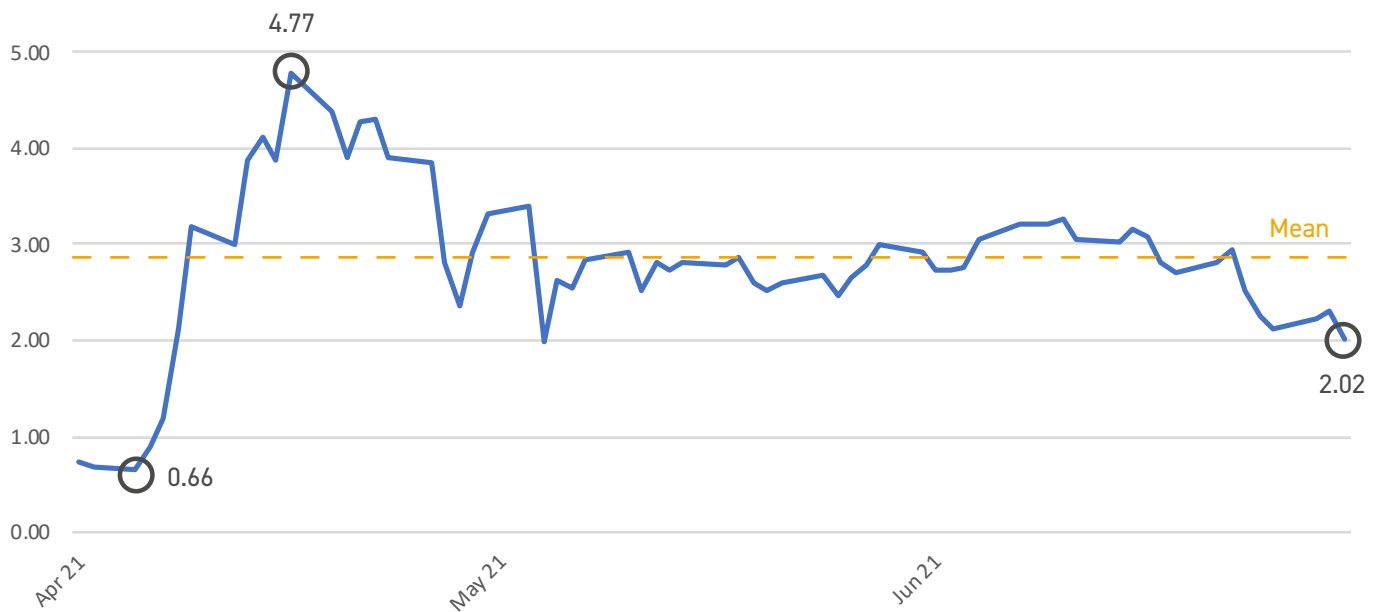
Investment Company Performance (contd.)

Average Investment Company Premium/Discount 1Yr



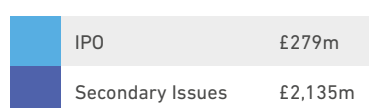
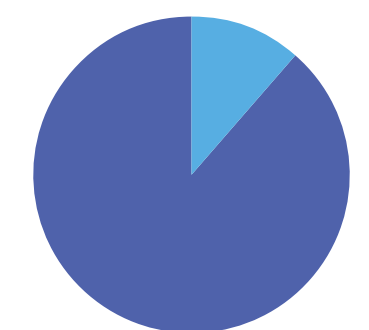
The average discount across the investment company universe narrowed to finish the quarter at a premium of 2.02%; tightening substantially in the period under review

Average Investment Company Premium/Discount Q2

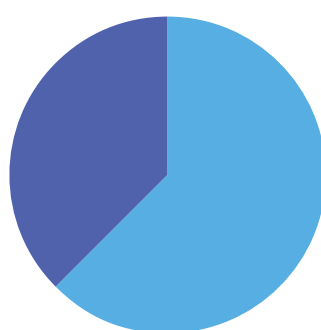


Q1 2021 Fundraising Activity

Q2 2021 New Issues

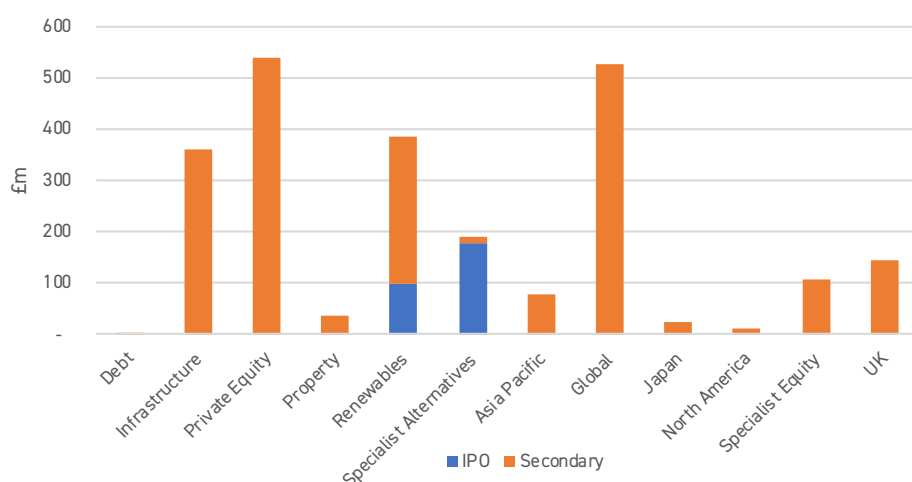


Alternatives vs Equities



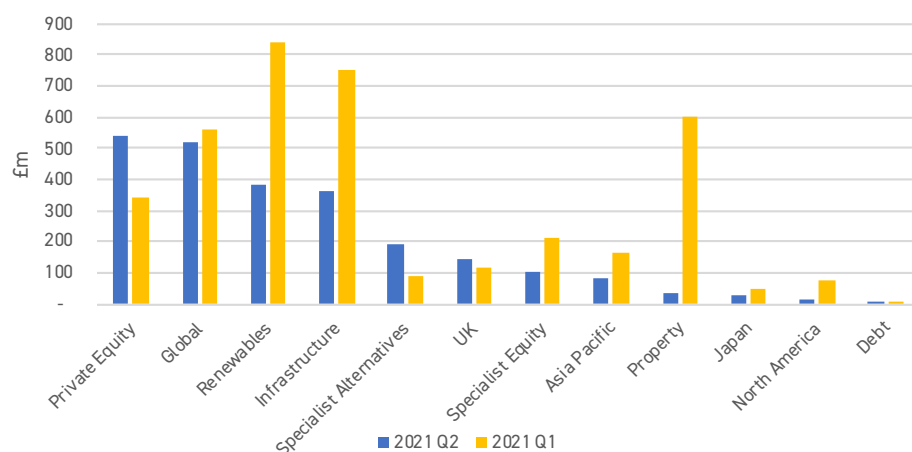
The investment companies universe remains predominantly made up of equity portfolios, however the alternative asset classes are the fastest growing segment, with significantly more capital being allocated to these strategies than traditional equity focused funds.

Q2 2021 Fundraising by Asset Class



The top fundraising sectors in Q2 were Private Equity, Global, Infrastructure followed by Renewables; though the Private Equity category was dominated by the Schiehallion C share issue of £498.43m. A distinct difference can be seen with regard to primary and secondary activity in the quarter.

Q2 2021 vs Q1 2021 - Total Funds Raised by Sector



Although almost every sector saw some activity - compared to the start of the year, there has been a drop-off in the quantum of funds raised across the different categories - apart from Private Equity and UK which instead have seen amounts increase quarter on quarter

IPOs In The Quarter

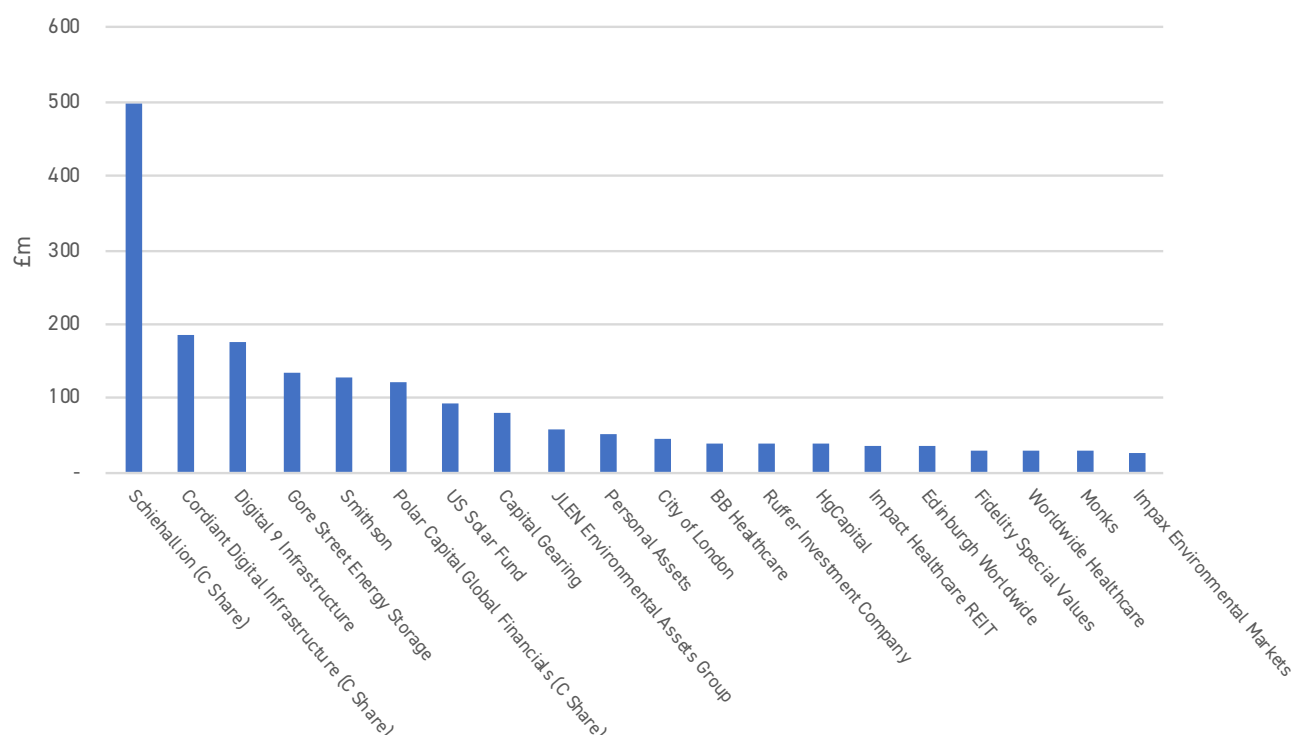
Q2 IPO Activity

	Taylor Maritime Investments	Aquila Energy Efficiency
Ticker	TMI	AEET
Admission to trading	27 May 2021	2 Jun 2021
Investment manager	Taylor Maritime	Aquila Capital Investment
Sector	Specialist Alternative	Renewables
IPO Gross proceeds	£179m	£100m
Investment objective	To provide investors with an attractive level of regular, stable and growing income and the potential for capital growth through investing in vessels, usually employed or to be employed on fixed period charters.	To generate attractive returns, principally in the form of income distributions by investing in a diversified portfolio of energy efficiency investments
Target yield	Initial target dividend yield of 7% on initial issue price with potential for growth, declared quarterly and in USD	3.5p in FY 1 5p in FY 2 progressively increasing over the medium term
Target return	10-12%	7.5-9.5%
Price return since IPO	7%	-5%
Domicile	Guernsey	UK
Listing	Premium Main Market	Premium Main Market

Source: AIC / RNS Announcements / Issuer Prospectuses

Q2 Further Issuances

Top 20 secondary fundraises in Q2 2021



The Most Active Sectors (Secondary issuances) in Q2 2021 and their constituents

Infrastructure

Company	£m
Cordiant Digital Infrastructure (C Share)	185.00
Digital 9 Infrastructure	175.00
Ecofin Global Utilities and Infrastructure	0.36
Premier Miton Global Renewables	0.18
	360.54

Private Equity

Company	£m
Schiehallion (C Share)	498.43
HgCapital	38.64
Sure Ventures	0.66
	537.74

Renewables

Company	£m
Gore Street Energy Storage	135.00
US Solar Fund	93.57
JLEN Environmental Assets Group	56.86
	285.43

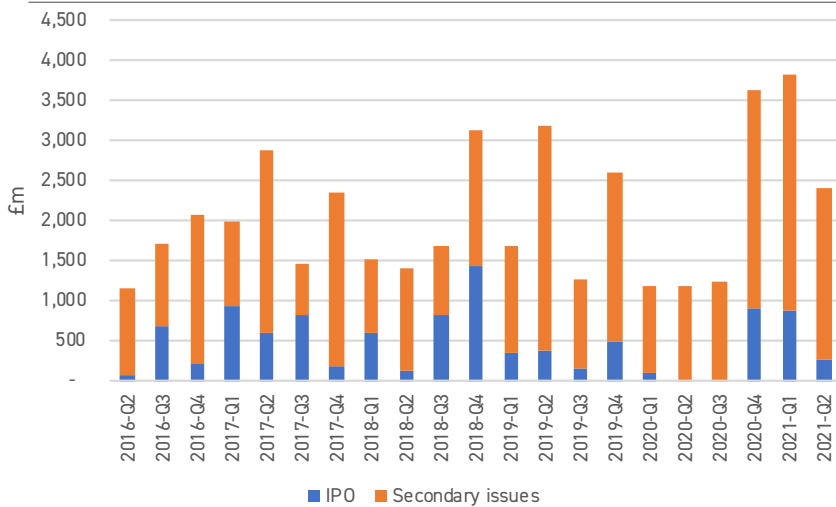
Global Equity

Company	£m
Smithson	126.63
Polar Capital Global Financials (C Share)	122.00
Capital Gearing	79.11
Personal Assets	50.59
Ruffer Investment Company	38.79
Edinburgh Worldwide	34.96
Monks	27.87
Scottish American	24.26
Bankers	12.88
Mid Wynd International	8.72
BMO Managed Portfolio Growth	2.26
	528.07

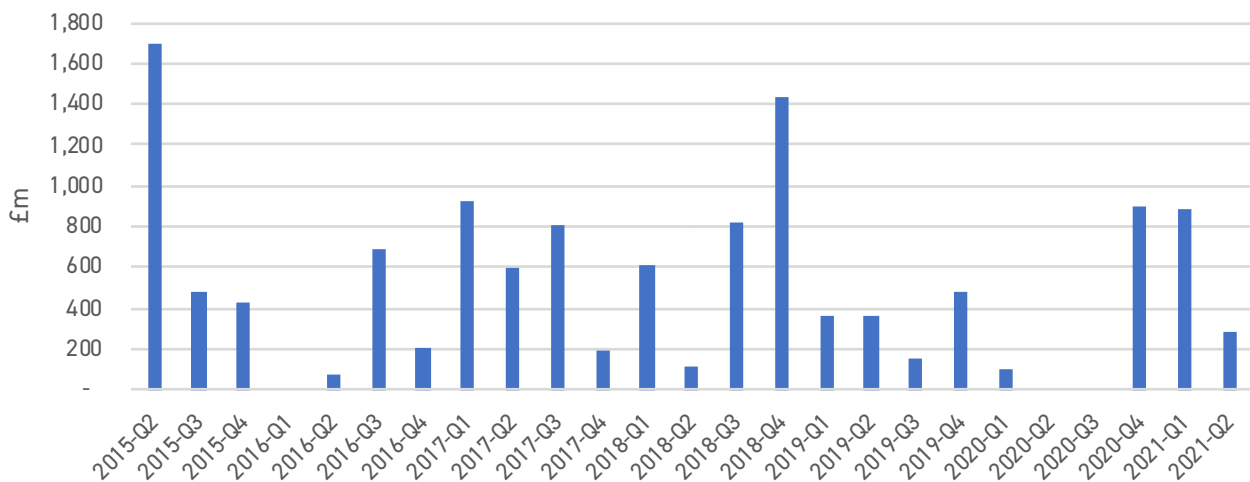
Source: AIC / Morningstar

Fundraising Activity Recap

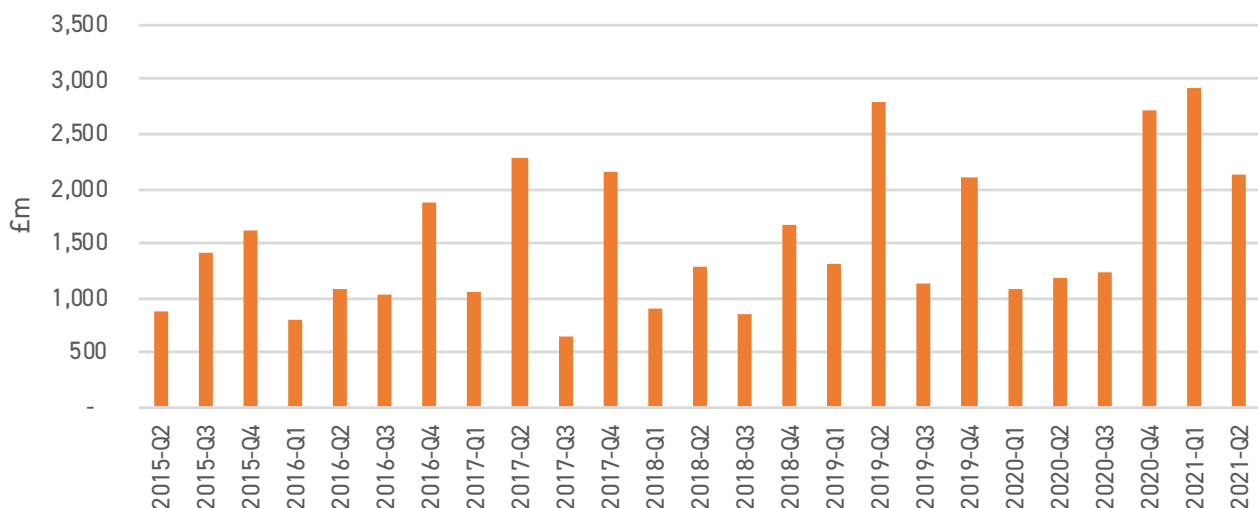
Issuance Funds Raised over 5 years, by quarter



IPO Funds Raised (£m)



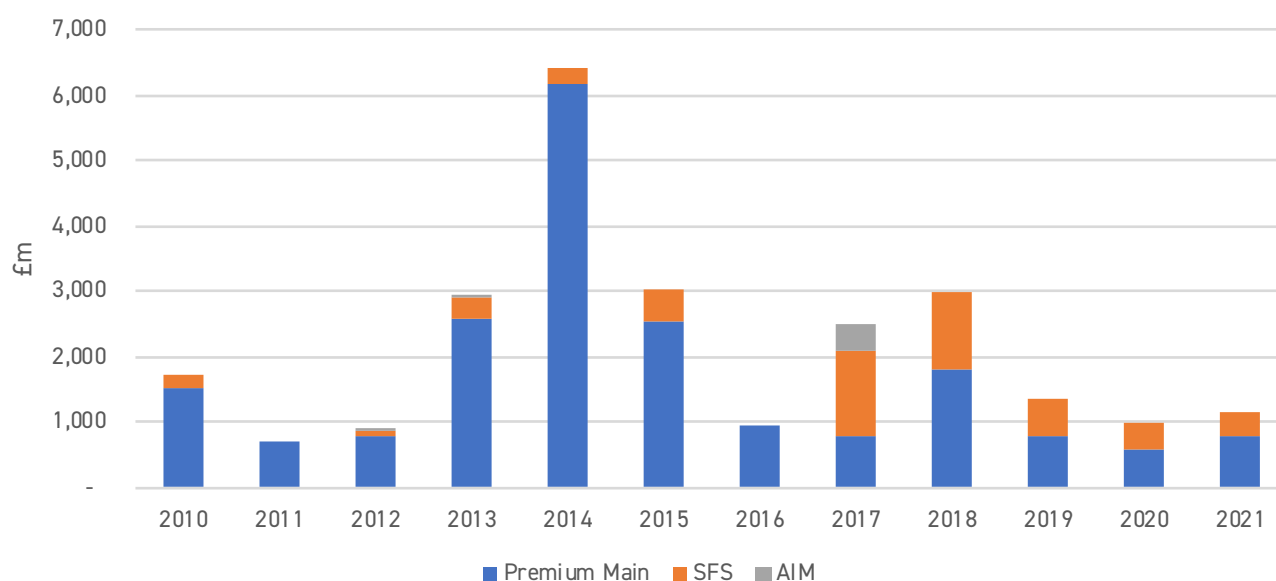
Secondary Funds Raised (£m)



Source: AIC

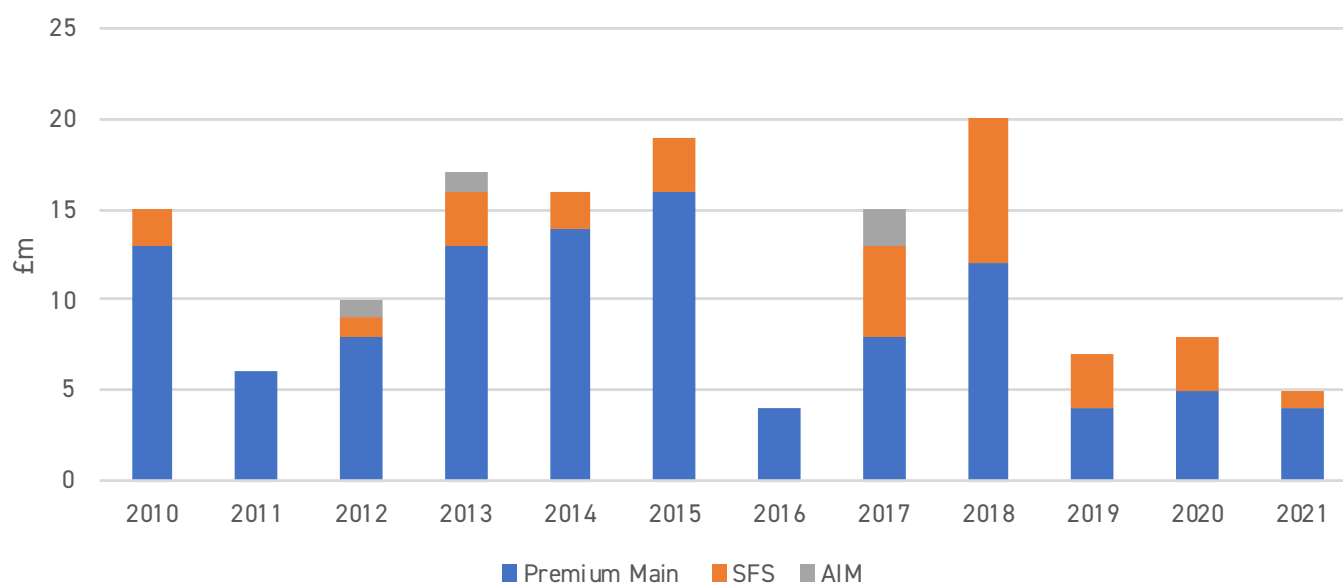
Fundraising Activity Recap (contd.)

IPO Funds Raised by Market



The SFS remains a popular segment for alternative assets

Number of IPOs by Market



Source: AIC / Morningstar

Q2 Departures and Distributions

Departures / Liquidations

Company	Investment manager	Sector		Departed funds (£m)
RM Secured Direct Lending	RM Capital Markets	Debt	End of life of 2021 ZDPs. Received full entitlement.	-12
Invesco Enhanced Income	Invesco Asset Management	Debt	Merged with City Merchants High Yield, with City Merchants High Yield being the continuing company.	-159
Life Settlement Assets B	Acheron Capital	Specialist Alternatives	Merged into the A share class.	-11

Tender Offers

Company	Investment manager	Sector		Departed funds (£m)
CVC Credit Partners European Opportunities	CVC Credit Partners	Debt	5,926,910 Euro shares and 8,710,330 GBP shares at a price of EUR0.9832 per Euro share and £1.0521 per GBP share, resulting in £14,350,469 departing.	-14
UK Mortgages	TwentyFour Asset Management	Debt	26,666,666 shares tendered at a price of 75p per share, resulting in £20,000,000 (13% of the company's issued share capital) departing.	-20

Capital Distributions

Company	Investment manager	Sector		Departed funds (£m)
Alternative Liquidity Fund	Rampart Capital	Hedge Funds	The company made a capital distribution of USD1,466,444 (£1,062,475) to shareholders by way of an issue and subsequent repurchase of B shares.	-1
KKV Secured Loan	KKV Investment Management	Specialist Alternatives	The company made a capital distribution of £19,600,000 to shareholders by way of an issue and subsequent repurchase of B and D shares at a price of 5.5p per B share (for the ordinary shares) and 6p per D share (for the C shares) respectively on 04/05/21.	-20
Secured Income	KKV Investment Management	Debt	The company made a capital distribution of £3,686,224 to shareholders at a price of 100p per B share on 21/05/21.	-4

Source: AIC

Q2 Corporate Actions

Listing Change

Month	Company	Investment Manager	Sector	Description
May	Gulf Investment	Epicure Managers Qatar	Global	The company cancelled its listing on the Main Exchange of the LSE and subsequently listed on the Specialist Fund Segment on 19/05/21.

Investment Management Changes

Month	Company	Old / Incumbent Investment Manager	Sector	New Manager
Apr	Jupiter US Smaller Companies	Brown Advisory	North America	from Jupiter Unit Trust Managers
Jun	Octopus Renewables Infrastructure	Octopus Renewables	Renewables	from Octopus Investments

Mergers

Month	Company	Investment Manager	Sector	Description
May	City Merchants High Yield	Invesco Asset Management	Debt	Merged with Invesco Enhanced Income, with City Merchants High Yield being the continuing company.
Jun	Life Settlement Assets A	Acheron Capital	Specialist Alternatives	Merged the company's B share classes into the A share class

Company Name Changes

Month	Old Company Name	Investment Manager	Sector	New Name
May	City Merchants High Yield	Invesco Asset Management	Debt	to Invesco Bond Income Plus
May	Jupiter US Smaller Companies	Brown Advisory	North America	to Brown Advisory US Smaller Companies
Jun	JPMorgan European Smaller Companies	J.P. Morgan Asset Management	Europe	to JPMorgan European Discovery
Jun	Menhaden	Menhaden Capital Management	Specialist Equity	to Menhaden Resource Efficiency

Source: AIC

Investment Policy Changes

Month	Company	Investment Manager	Sector	Description
Apr	Invesco Select UK Equity	Invesco Asset Management	UK	Following the rollover of Invesco Income Growth on 23/04/21, at the EGM held on 08/03/21, shareholders approved proposals to amend the company's investment policy. The new policy states a focus on delivering income that will grow over time by investing primarily in UK quoted equities. The new policy permits the UK Equity Portfolio to invest in fixed interest securities of UK companies and clarifies that the portfolio is invested primarily in UK-listed equities across all market sectors. The new policy states the company will aim to reduce the number of positions typically held by the UK Equity Portfolio from between 45 and 80 securities to between 40 and 50 securities.
May	Fundsmith Emerging Equities	Fundsmith	Global	At the EGM held on 26/05/21, shareholders approved proposals to amend the company's investment objective. The new objective has been broadened from "To invest in shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies and which provide direct exposure to the rise of the consumer classes in those countries" by adding "or to the broader social and/or economic development of those countries".
May	Jupiter US Smaller Companies	Brown Advisory	North America	At the EGM held on 07/05/21, shareholders approved proposals to amend the company's investment policy. The new policy now states the company aims to achieve long-term capital growth by investing in a diversified portfolio primarily of quoted US smaller and medium-sized companies.
Jun	Dunedin Income Growth	Aberdeen Standard Investments	UK	At the EGM held on 10/06/21, shareholders approved proposals to amend the company's investment objective. The new objective states the company will aim "to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the Company's Sustainable and Responsible investing criteria as set by the Board".

Source: AIC & Sectors based on Morningstar classifications

ESG news

AIC ESG disclosure

AIC invited member investment companies to disclose their ESG policies & strategies on the AIC website, as of 22 June this information is available on the companies' profile pages. When a company has provided an ESG disclosure, an ESG tab now appears on their profile. Currently c.65% of members have provided disclosures

London Stock Exchange Green Economy Mark

The Green Economy Mark

Championing green economy issuers

Available to equity issuers with meaningful exposure to the Green Economy

50%+ revenues generated from business activities within FTSE Russell's Green Revenue Taxonomy

FTSE Russell coverage or self-identified

No additional charge to issuers

Raises visibility to investors

Peer group events & services

Provides insight into the market dynamics of the low-carbon transition



Recent recipients of the Green Economy Mark in Q1 2021

Aquila Energy Efficiency Trust plc

Gore Street Energy Storage Fund plc

All Investment Companies with the Green Economy Mark

Aquila Energy Efficiency Trust plc	Gore Street Energy Storage Fund	NextEnergy Solar
Aquila European Renewables Income	Greencoat Renewables	Octopus Renewables Infrastructure
Bluefield Solar Income	Greencoat UK Wind	Premier Miton Global Renewables
Cambium Global Timberland	Gresham House Energy Storage	Renewables Infrastructure Group
Downing Renewables & Infrastructure	Impax Environmental	SDCL Energy Efficiency Income Trust
Ecofin US Renewables Infrastructure	JLEN Environmental Assets	Triple Point Energy Efficiency Infrastructure
Foresight Solar	Jupiter Green	US Solar Fund
GCP Infrastructure Investments	KKV Secured Loan	VH Global Sustainable Energy Opportunities Plc
Aquila Energy Efficiency Trust plc	Menhaden	Gore Street Energy Storage Fund plc

Source: London Stock Exchange

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Rapidly moving area; requires strategic planning and foresight

Every project supported by insightful research and reliable data

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Long-term sustainable solutions for businesses

Provision of accurate and practical intelligence to make strategic decisions

Experienced with extensive network

Qualified for peer-to-peer interviews and research with industry, investors, rating agencies and regulators

Extensive network of asset owners, investors and trade bodies



Harinder Sandhu (Hari)

Hari has a pedigree of partnering with small to medium-sized companies as a portfolio manager and advisor. With 27 years' experience in asset management including roles at UBS, Société Générale Asset Management and Man Group, Hari is at the forefront in recognising the opportunities that ESG brings to the industry.

Most recently, he directed ESG and CSR at River and Mercantile Group, where he successfully integrated ESG into the corporate culture: enhancing corporate policies and internal processes, aligning ESG management and accountability, and promoting a greater focus on stewardship activities and engagement.

As a senior portfolio manager at LGPS Central, Hari was responsible for global active equities, managing a team of investment professionals as well as portfolios for global and regional funds, and developing new sustainable fund strategies.



Yuet Ling Sin Fai Lam (Ling)

With 20 years as an investment professional in institutions including RBC Investments, Société Générale Asset Management and BNP Paribas, Ling has extensive experience in investment management, utilising quantitative and fundamental research techniques.

As a private equity investment manager at a large single-family office, Ling advised on strategic investments, handling private equity due diligence, deal structuring, negotiation and execution.

Ling was most recently deforestation lead in the investor research team at CDP (an NGO previously known as the Carbon Disclosure Project), where she developed methodology frameworks under TCFD specific to deforestation and advised large institutional investors on related risks and opportunities.

Ling holds an MSc in Chemical Process Engineering from University College London.

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