



**Investment company discounts
– a buying opportunity?**

QuotedData

BY MARTEN & CO



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QuotedData

BY MARTEN & CO

Edward Marten



- 10 years in investment banking with Cazenove (now JP Morgan Cazenove) and Canaccord Genuity, focused on Investment Trusts, working with the number-one Extel-rated team, and broadened his focus to Pan European equities, servicing a global investor base and raising over €1 billion for companies.
- Afterwards Edward set up an equity agency broker that was subsequently sold to SpareBank1Markets.
- And 10 years setting up and building out QuotedData



James Carthew



- 16 years at M&G – from 1995: Managed UK equity income funds and the M&G Fund of Investment Trusts
- 10 years at Progressive Asset Management – Running Advance UK Trust
- 10 years at QuotedData – Head of investment companies research



Discounts – a buying opportunity?

Discount = the gap between the value implied by the share price and the value of the assets (NAV)

Closing a 50% discount = doubling the share price



Discounts – a buying opportunity?

- Some facts and figures
- Why have discounts widened?
- Are the figures correct?
- Where are the opportunities?
- Beware of the pitfalls!



Discounts – a buying opportunity?

MLI taken out at 42% premium to share price

Industrials REIT agrees £500m sale of company

Industrials REIT is the subject of a £500m possible cash offer from US private equity giant Blackstone – 42.4% above its closing price on Friday. The company announced today that, following a period of extensive negotiations, it had reached agreement with Blackstone on the key financial terms of a final proposal for a possible cash [...]



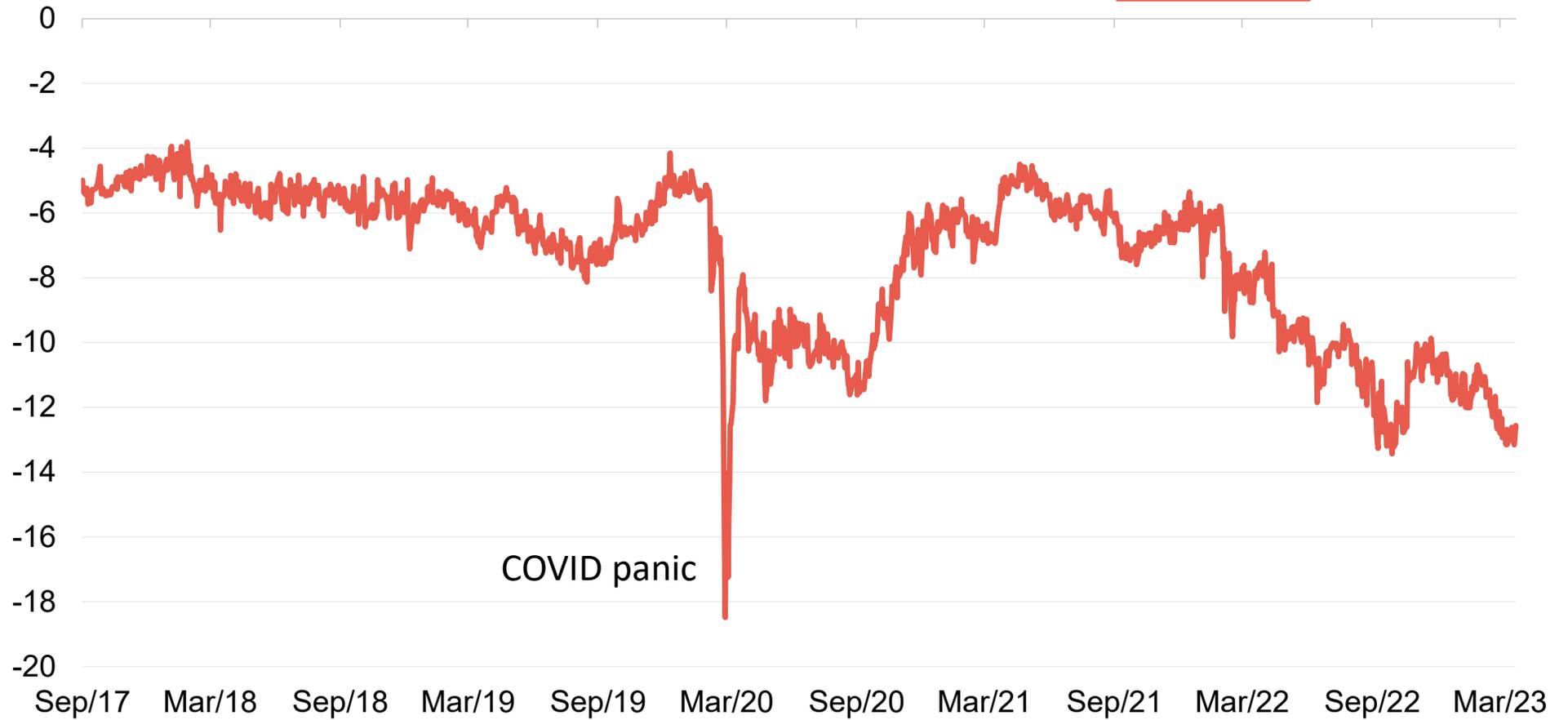
03 April 2023 | [QuotedData](#) | [UK](#) | [Show 4 Sectors](#) | [Industrials REIT : MLI](#) | [Richard Williams](#) | [Read More](#)

“hidden” value can be unlocked quite quickly....

....but it can also take a long time



All investment companies median discount



In numbers

346 funds

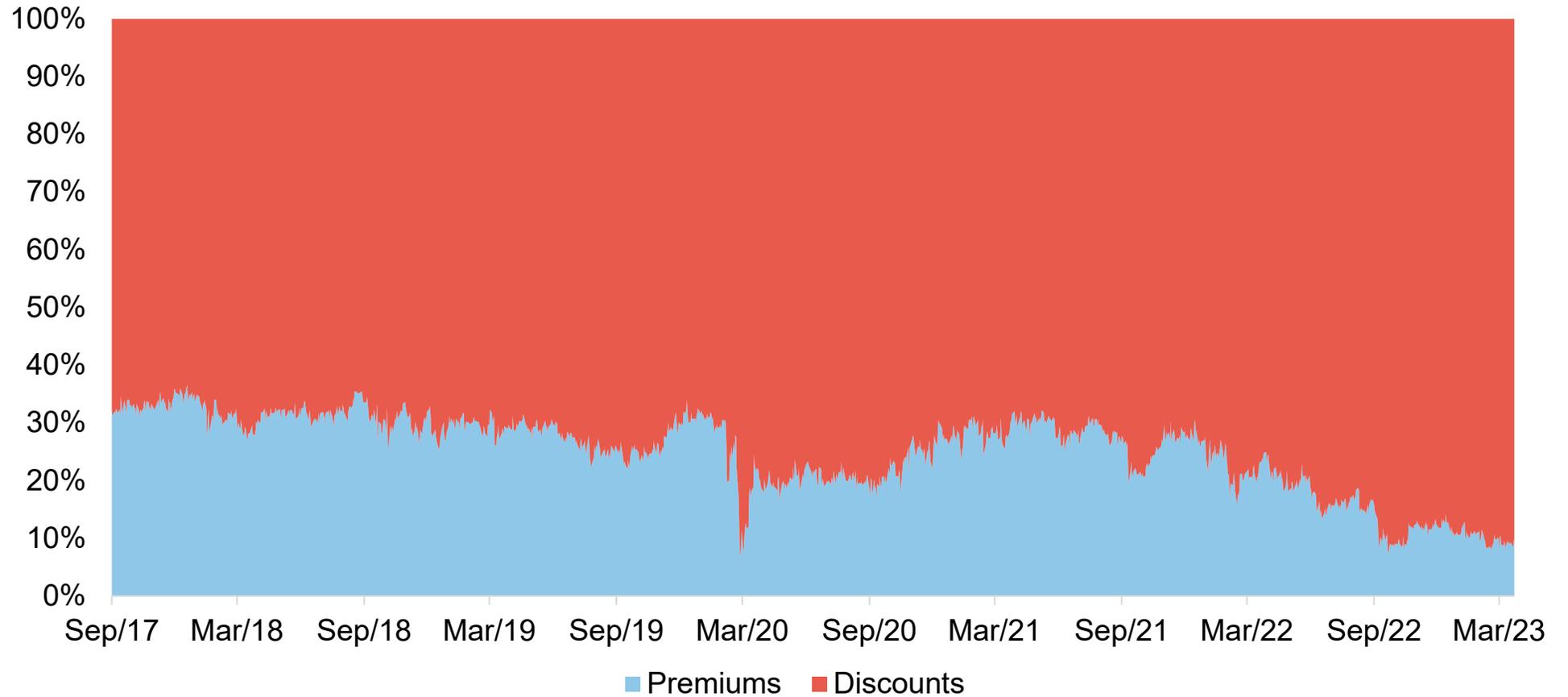
£34.4bn gap between sector market cap (£175bn) and asset value (£210bn)

Biggest premium **133%** - JPMorgan Emerging Europe, Middle East and Africa Securities

Biggest discounts **97%** - Jade Road, Infrastructure India



How many are trading on a discount?



In numbers

Five years ago **28%** of funds were trading on premiums

That was **86** funds

Now that figure is just **9%**

Just **31** funds



But why?

Have discounts been driven by interest rates?

Big wealth managers are sellers?

Investors disillusioned after poor 2022?



But why?

Have discounts been driven by interest rates?

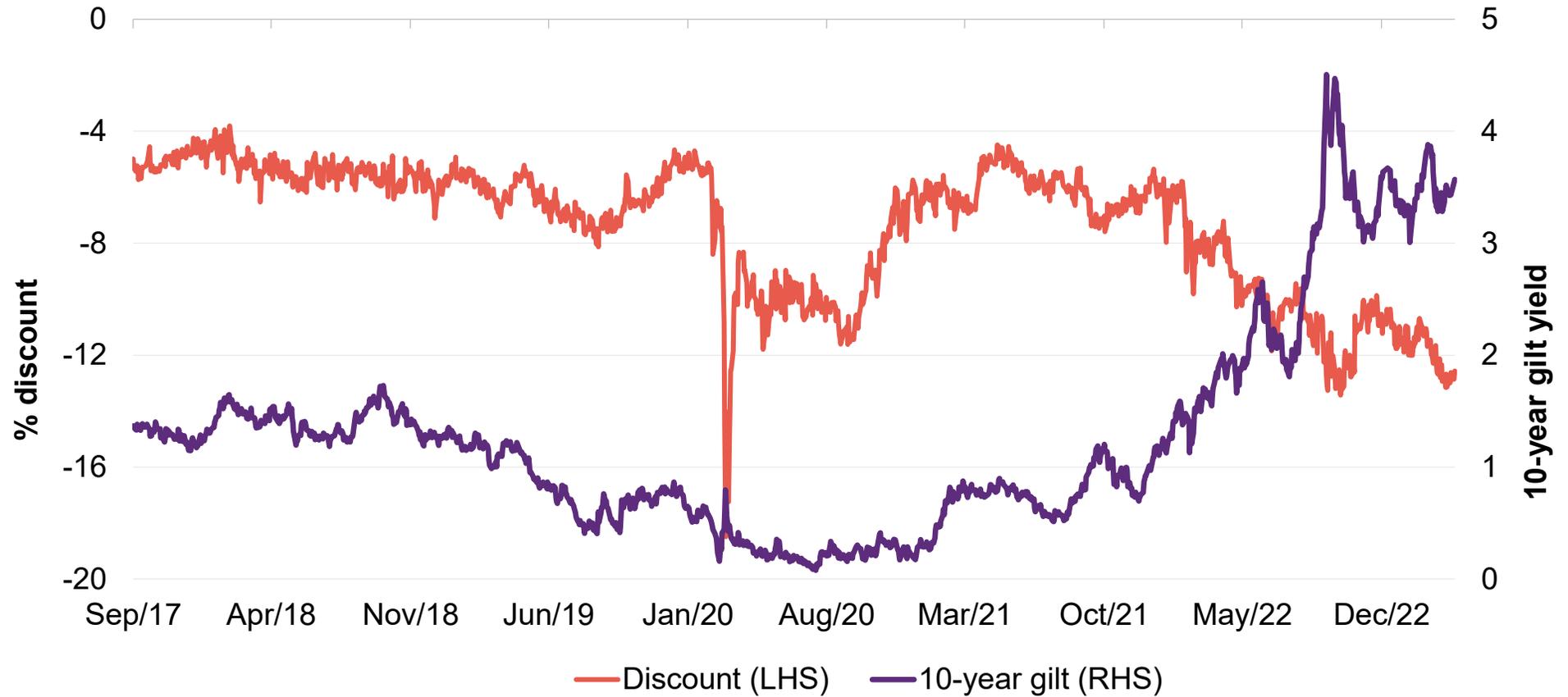
Big wealth managers are sellers?

Investors disillusioned after poor 2022?

Probably a combination of all three



Discounts versus interest rates



What influence do interest rates have?

Higher rates = higher 'risk free' returns

Investors demand higher returns (yields) from funds

Discount rates (used to value NAVs on a DCF basis) go up =
NAVs go down



Why are wealth managers selling?

FINANCI

COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LI

Wealth management [+ Add to myFT](#)

Rathbones-Investec merger could lead to more M&A

Rathbones agrees wealth deal with Investec to create £100bn business

Merger comes as wealth managers seek to bulk up in the face of surging costs

money marketing

CITYA.M.

Tilney and Smith & Williamson strike £1.8bn wealth management and professional services deal

CITYWIRE
INVESTMENT TRUST INSIDER

DATA COMMENT VIDEOS & PODCASTS FORUMS

MERGERS & ACQUISITIONS | 11 APR, 2023

Rathbones to own 35% of BH Macro after Investec merger

BUSINESS

COMPANY NEWS

NEWS

RBC to buy Brewin Dolphin for £1.6bn

By **Lois Vallely** | 31st March 2022 8:31 am



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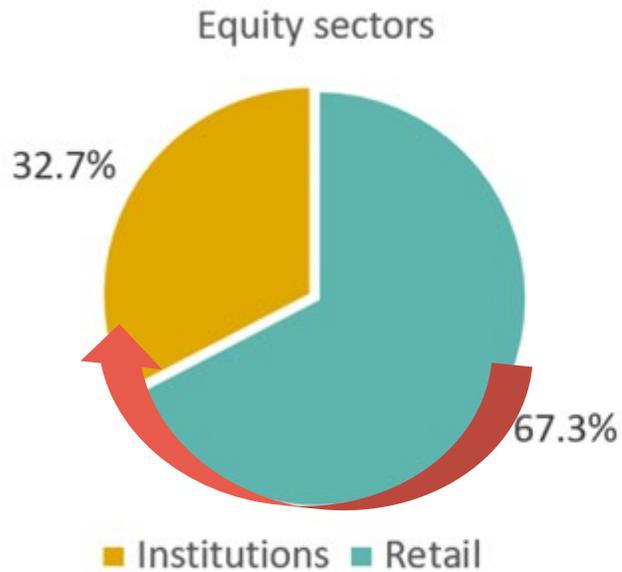
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By [Lois Vallely](#) | 31st March 2022 8:31 am

As wealth managers consolidate, the minimum size of companies they can hold rises – push for in-house funds and ETFs



Why are wealth managers selling?



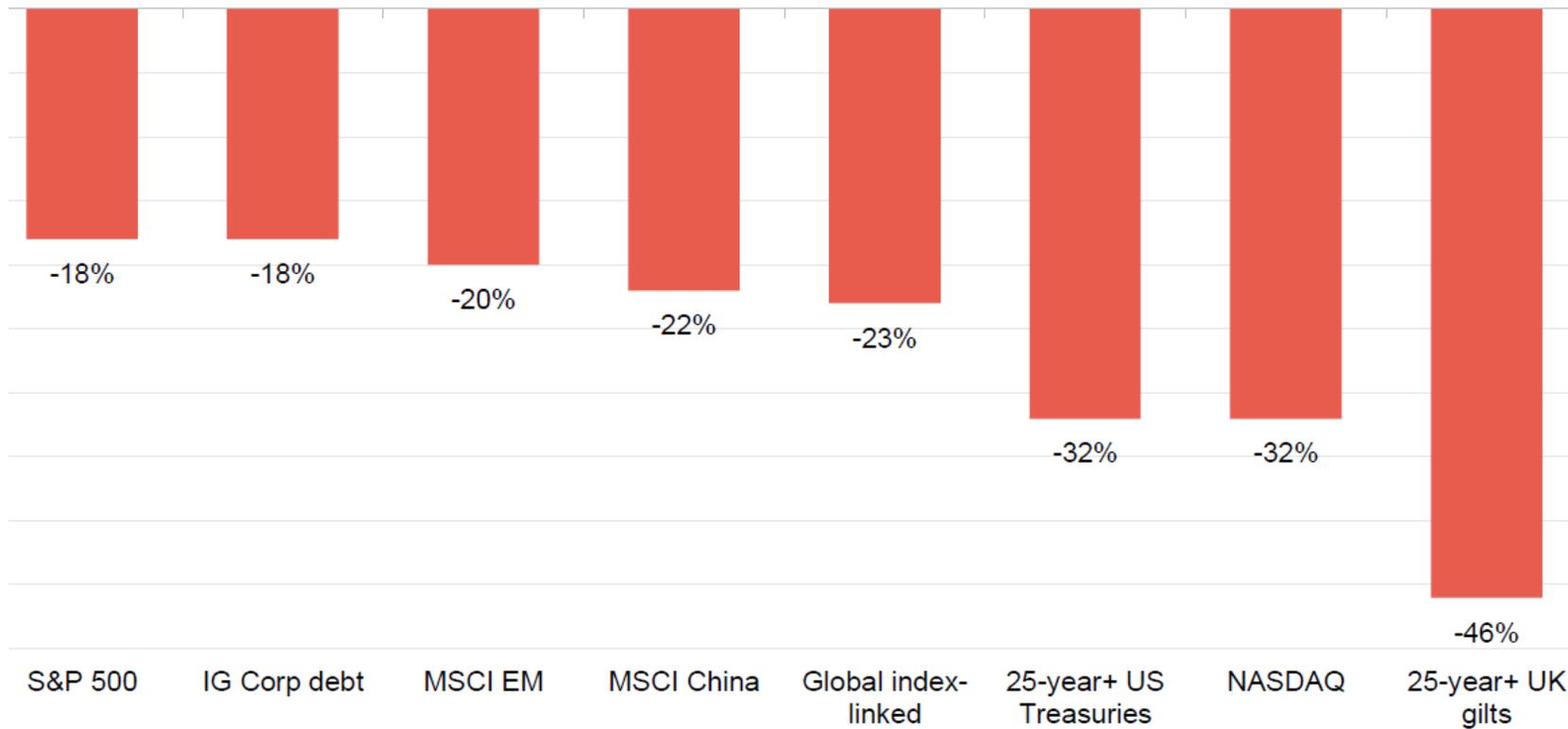
Source: Argus Vickers/AIC



This is why the investment companies here today want to meet you



Disillusioned investors? - poor 2022



Almost all
asset classes
lost money



Disillusioned investors? - poor 2022



2022 – the third-worst year for the industry since 1995



Are the figures correct?

- Biggest premium 133% - JPMorgan Emerging Europe, Middle East and Africa Securities
- Biggest discounts 97% - Jade Road, Infrastructure India

In both cases there are question marks over the NAV

Most funds publish NAVs daily, but some are monthly or quarterly

Some assets (like **listed equities**) are easy to value, some (like **property**, **music rights**, and **solar farms**) are not



Where are the opportunities?

QuotedData lets you rank all investment companies by various metrics including:

- Discount
- Dividend yield
- Ongoing charges
- Market cap
- Performance

Investment Trust Quickrank

London Stock Exchange All Companies

Enter name or ISIN All Currencies

	Snapshot	Short Term	Long Term
Name ↕	Share Price	Net Asset	Discount to NAV
Jade Road Investments Limited	1.28	49.00	-97.40
Infrastructure India Plc	0.30	10.60	-97.17
GRIT Investment Trust plc	1.53	9.60	-84.11
Seed Innovations Limited	1.95	7.84	-75.13
Aseana Properties Limited	0.12	0.40	-71.25
DP Aircraft I Limited	0.06	0.19	-70.74
KCR Residential REIT plc	9.50	31.74	-70.07
Home REIT Ltd	38.05	117.75	-67.69
Dolphin Capital Investors Ltd	3.85	11.10	-65.32
Ceiba Investments	37.00	100.54	-63.20
Amedeo Air Four Plus Limited	43.60	117.79	-62.99
Triple Point Social Housing REIT plc	48.25	126.79	-61.95
Seraphim Space Investment Trust plc	36.90	92.74	-60.21
Ground Rents Income Fund Plc	37.60	93.21	-59.66
Globalworth Real Estate Investments Limited	3.35	7.96	-57.92
LMS Capital plc	24.50	57.91	-57.69
Reconstruction Capital II Ltd	0.09	0.19	-56.12
Phoenix Spree Deutschland Ltd Ord	190.50	423.98	-55.07
Schroder UK Public Private Trust plc	12.80	28.20	-54.61
Riverstone Energy Limited	552.00	1,199.00	-53.96
Chrysalis Investments Limited	59.20	128.26	-53.84
Macau Property Opportunities	61.75	133.00	-53.57



Where are the opportunities?

- Higher interest rates are weighing on property companies
- Home REIT is suspended, with serious question marks over its business model
- Triple Point Social Housing has been dragged down by association, as has Civitas Social Housing
- Growth selloff hit Schroder UK Public Private and Chrysalis

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Where are the opportunities?

- What price music rights? – Round Hill, Hipgnosis
- Private equity unloved – HarbourVest, Pantheon International, ICG Enterprise, abrdn Private Equity Opportunities

Investment Trust Quickrank

London Stock Exchange ▼ All Companies

Enter name or ISIN ▼ All Currencies ▼

Snapshot	Short Term	Long Term	
Name ↕	Share Price	Net Asset Value (last close)	Discount to NAV ↕
 RiverFort Global Opportunities PLC	0.68	1.45	-53.51
 Symphony International Holdings	0.46	0.97	-52.68
 JZ Capital Partners Limited	162.50	340.06	-52.21
 Round Hill Music Royalty Ltd	0.62	1.28	-51.61
 Petershill Partners PLC	169.20	347.88	-51.36
 Alina Holdings Plc	12.75	26.00	-50.96
 HarbourVest Global Private Equity	2,030.00	4,051.00	-49.89
 Pantheon International PLC	235.00	463.40	-49.29
 NB Distressed Debt Inv Extended Life	0.51	0.97	-47.68
 Alternative Liquidity Fund Limited	0.05	0.09	-47.25
 Civitas Social Housing Plc	58.70	111.10	-47.17
 Marwyn Value Investors Limited	92.50	174.16	-46.89
 EPE Special Opportunities	166.00	309.57	-46.38
 ICG Enterprise Trust Plc	1,028.00	1,915.99	-46.35
 Hipgnosis Songs Fund Limited	88.00	162.90	-45.98
 NB Distressed Debt New Glb	37.00	67.45	-45.14
 Chelverton Growth Trust	28.00	50.98	-45.08
 Oxford Technology VCT 4	21.00	37.41	-43.87
 Hansa Investment Company Ltd 'A' Class A	172.00	305.32	-43.67
 Hansa Investment Company Ltd Ord	172.00	305.32	-43.67
 abrdn Private Equity Opportunities Trust plc	420.00	743.82	-43.53



Where are the opportunities?

- Logistics still in demand – Tritax EuroBox,
- HydrogenOne – next big thing?
- Funds in realisation cheap if the NAV is real
- Biotech out of favour despite slew of bids in the sector

Investment Trust Quickrank

London Stock Exchange ▼ All Companies

Enter name or ISIN All Currencies ▼

Snapshot	Short Term	Long Term
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Name ↕	Share Price	Net Asset Value (last close)	Discount to NAV
Tritax EuroBox EUR plc	0.75	1.32	-43.09
Thames Ventures VCT 2 DP67 Plc	14.00	24.40	-42.62
Baker Steel Resources Trust	46.50	79.70	-41.66
Schiehallion C Limited	0.45	0.77	-41.65
Africa Opportunity Fund Limited	0.55	0.93	-40.92
HydrogenOne Capital Growth PLC	57.70	97.31	-40.70
Marwyn Value Investors 2021 Realisation	110.00	184.05	-40.23
Alpha Real Trust Limited	131.50	219.22	-40.01
SLF Realisation Fund Ltd	7.54	12.34	-38.90
JPEL Private Equity Ltd	1.09	1.77	-38.70
Secured Income Fund Plc	11.50	18.71	-38.54
Crystal Amber Fund Limited	77.00	125.22	-38.51
UIL Limited	128.50	208.39	-38.34
NB Private Equity Partners Class A Ord	1,450.00	2,344.70	-38.16
Residential Secure Income plc	67.60	108.96	-37.96
Augmentum Fintech PLC	96.20	155.00	-37.94
Triple Point Energy Transition PLC	61.50	98.32	-37.45
Princess Private Equity Holding Limited	9.26	14.79	-37.39
Oxford Technology VCT 3	27.00	42.20	-36.02
Pollen Street PLC	580.00	904.36	-35.87
Oxford Technology Venture Capital Trust	27.50	42.60	-35.45
RTW Venture LTD	1.03	1.58	-34.81



Where are the opportunities?

You can use **QuotedData** to compare funds with similar objectives renewable energy infrastructure funds, for example

Here I have ranked them by dividend yield

Snapshot	Short Term	Long Term	Rating	
Name ↕	Share Price	Net Asset Value (last close)	Discount to NAV	Dividend Yield % ↕
Triple Point Energy Transition PLC	61.50	98.32	-37.45	8.94
Ecofin US Renewables Infrastructure	0.79	0.94	-16.89	7.13
Harmony Energy Income Trust PLC	112.50	125.10	-10.07	7.11
NextEnergy Solar Ord	106.80	121.05	-11.77	7.04
US Solar Fund PLC	0.80	0.95	-15.84	6.99
Gore Street Energy Storage Fund plc	101.60	113.46	-10.45	6.89
SDCL Energy Efficiency Income Plc	89.00	106.27	-16.25	6.74
Foresight Solar Fund Limited	113.80	126.80	-10.26	6.63
Aquila Energy Efficiency Trust PLC	75.50	95.57	-21.00	6.62
Bluefield Solar Income Fund Limited	137.80	142.65	-3.40	6.10
Aquila European Renewables PLC	0.94	1.11	-15.44	5.88
JLEN Environmental Assets Group Limited	122.40	123.72	-1.07	5.83
Octopus Renewables Infrastructure Trust PLC	99.80	109.75	-9.07	5.80
Atrato Onsite Energy PLC	86.30	92.92	-7.12	5.79
Greencoat Renewables PLC	1.11	1.12	-0.89	5.77
VH Global Sustainable Energy Opportunities	99.30	108.38	-8.37	5.56
The Renewables Infrastructure Group Limited	129.40	134.90	-4.08	5.55
Greencoat UK Wind PLC	161.80	167.61	-3.47	5.41
Downing Renewables & Infrastructure Ltd	108.25	118.83	-8.90	4.97
Gresham House Energy Storage Fund PLC	166.00	155.82	6.53	4.43
Thomas Lloyd Energy Impact Trust Plc	1.10	1.01	8.46	1.82
HydrogenOne Capital Growth PLC	57.70	97.31	-40.70	0.00



Where are the opportunities?

Clicking on an individual fund pulls up much more data – this is from the company page for Ecofin US Renewables

Price	0.79
NAV*	0.9445
Traded Currency	USD
AIC Sector	Renewable Energy Infrastructure
Discount(-ve) / Premium (+ve)	-16.89
Yield %	7.13%
Ongoing Charge	1.47%



Key Statistics (GBP)

Domicile	United Kingdom
Launch Date	22 Dec 2020
Name of Company	Ecofin Advisors, LLC
Manager	Russell, Jason Benson, Eileen Fargis
No. Shares In Issue	138.078496m
Market Capitalisation	108.39m
Average Daily Shares Traded (1 Yr)	0.032m
Average Daily Value Traded (1 Yr)	0.029m
Gross Gearing	0%

Latest Dividends

Type	Dividend	Ex-Dividend Date	Financial Year
Income	.0140	09-02-2023	2022
Income	.0140	10-11-2022	2022
Income	.0140	11-08-2022	2022
Income	.0140	26-05-2022	2022
Income	.0140	24-02-2022	2021



Where are the opportunities?

At QuotedData we also have detailed reports on individual funds

This was from the last one on Ecofin US Renewables

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INVESTOR

Ecofin US Renewables Infrastructure Trust

Investment companies | Annual overview | 26 January 2023

Back on track

Ecofin US Renewables Infrastructure Trust's (RNEW's) share price moved from a premium to net asset value (NAV) to a discount in July 2022 as the original fund management team resigned. The portfolio assembled is solid, performing well and delivering on expectations. A new fund management team, led by Eileen Fargis, is now in place and the opportunity available to RNEW is considerable.

We believe that the trust's predictable US dollar-denominated cash flows (which are also **uncorrelated** with equity markets) and high dividend yield are attractive to investors. The shares should be re-rated, and the fund should continue to grow.

Sector	Renewable energy Infrastructure
Ticker	RNEW LN / RNEP LN
Base currency	USD
Price	0.84
NAV	0.98 ¹
Premium/(discount)	(12.7%)
Yield	6.7%

Note 1) Morningstar estimate. Last published NAV was US\$0.9537 per share as at 30 September 2022.

Long-term, progressive income from diversified portfolio of US renewables

RNEW aims to provide its shareholders with an attractive level of current distributions by investing in a diversified portfolio of mixed renewable energy and sustainable infrastructure assets predominantly located in the United States with prospects for modest capital appreciation over the long term.

- New management team in place to take advantage of considerable opportunity
- Predictable cash flows and attractive dividend yield
- Re-rating of discount to NAV should follow

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Beware of the pitfalls of pursuing a discount

- Can you trust the NAV?
- Can you spot a catalyst for discount narrowing?
- How good is the corporate governance – does the board seem keen to tackle the discount?
- Are there any ‘poison pills’? – long notice periods for the managers, for example
- Does it have structural problems? – too much debt, for example
- Are other shareholders likely to be bothered about the discount?
- How illiquid are the underlying investments?

- As an aside, also please remember that big premiums can be dangerous!



Do some digging!

QuotedData

Specialises in investment companies and REITs. The website offers:

- The latest news, research, data, videos and upcoming events
- Built-in glossary and educational material
- news show + an interview with an investment manager every Friday
- watch back videos on our YouTube channel – follow our channel for the latest release
- sign up at our website to receive research at the same time as professional investors and our weekly roundup at our stand

It's free to sign up
today at
QuotedData.com

Click top right menu
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An aerial photograph of a city at sunset, with a river and a large domed building (likely a capitol) in the center. The sky is a deep orange-red, and the city lights are visible in the foreground and background.

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BY MARTEN & CO

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