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**Buchanan**

## Investment Trust Watch: Hawksmoor's Brexit bargains

This week we look at the trades a pair of professional investment trust investors undertook in the chaotic post-Brexit vote market. This week Investment Trust Watch takes a different tack as we look at the trades of a pair of professional investors in investment trusts.

Dan Lockyer and Ben Conway of Hawksmoor Investment Management in Exeter this week gave an insight into how they took advantage of cheap investment trust shares during the turbulent markets after the Brexit vote. Both men work with co-manager Richard Scott to run Vanbrugh, a top-performing fund of funds that sits atop the 20-60% Shares sector over most periods. In the three months to the end of September it made 7.3%, ahead of the 6% sector average, in part helped by the gains it made on the following investment trusts.

'We're quite active in dealing in investment trusts and discount opportunities. When there's volatility around we think that it's a good area where we can add value,' said Lockyer during a call to look at their third quarter performance.

AEW UK Reit (AEWU): the managers swooped on the shares in early July when the £122 million UK commercial property trust traded on a 6% discount below net asset value and reached its lowest price since launch. It's now re-rated to a 4% premium compared to an average premium of 1.1% in the past year. That gives it a Z-score of 0.8.

Although it's no longer in bargain territory Lockyer said they were 'happy to hold the good quality portfolio' which pays a quarterly dividend and yields over 8%.

Just to recap, a Z-score is a measurement used by analysts to tell if an investment is trading significantly beyond its usual range. A Z-score of -2 or below is considered 'cheap' and may be a buying opportunity, while a score of 2 or more is viewed as dear and may be a sign to take profits. See our two tables below from Numis Securities for more examples of cheap and expensive trusts.

River & Mercantile UK Micro Cap (RMMC): this £78 million trust run by Philip Rodrigs creeps into our cheap list this week (see first table). Lockyer and Conway bought it at a 6% discount on around 22 July and have added since then. The shares now stand on a 9.5% discount, giving them a Z-score of -2, but are up 10% over three months. With the main UK market looking pricey, Lockyer likes the micro cap sector saying it has 'cheap stocks and truly outstanding managers'.

BlackRock Throgmorton (THRG): this £245 million UK smaller companies trust run by Mike Prentis and Dan Whitestone was bought and sold during the busy third quarter. The trade made a turn with the shares up 19% over three months although the discount, now 18%, didn't narrow much.

'Cheap' trusts Share price premium (- discount) to net asset value % 12-month average premium (- discount) %  
Z-score European Assets (EAT) -8.1 -0.6 -2.7 Scottish IT (SCIN) -14.4 -11.5 -2.6 BACIT (BACT)  
-1.6 4.1 -2.5 CATCo Reinsurance Opportunities Fund (CAT) -6.4 -1.6 -2.5 Nimrod Sea Assets (NSA)  
-86.5 -69.4 -2.4 Standard Life Equity Income (SLET) -6.9 -1.6 -2.4 Pershing Square Holdings (PSH)  
-21.2 -10.0 -2.3 BH Global - £ (BHGG) -11.0 -7.5 -2.3 Majedie (MAJE) -14.9 -4.0 -2.2 BBGI (BBGI)  
10.9 17.1 -2.1 Oakley Capital Investments (OCL) -41.6 -29.0 -2.1 Investment Company (INV) -4.0 -0.3  
-2.0 CATCo Reinsurance Opportunities C (CATC) -1.7 2.1 -2.0 River & Mercantile UK Micro Cap  
(RMMC) -9.5 -0.9 -2.0 Schroder AsiaPacific (SDP) -14.0 -11.8 -2.0 Source: Numis Securities.  
13/10/16

GCP Student Living (DIGS): Vanbrugh managers added to a long-standing position in the £370 million student accommodation fund run by Tom Ward at Gravis Capital Partners in early July when it hit a discount of 10%. They took 'good profits' selling at the end of September when it rallied to an 8% premium. DiGS yields 4% and has generated a three-year total shareholder return of 50%.

HgCapital (HGT): the managers enjoyed a double whammy when they topped up their position in this leading private equity trust around 21 July when the shares' discount widened to 20%. A combination of good results and



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Harbourvest's hostile bid for SVG Capital saw the NAV rise and the discount narrow to 9% leaving shareholders with a total one-year return of 37.5% and the trust on a 1.5 Z-score.

As holders of ICG Enterprise and F&C Private Equity, the Vanbrugh pair are keen on private equity trusts. 'We feel they're still good value – good quality assets at a discount that are surely going to be attractive to a buyer,' said Lockyer.

'Expensive' trusts Share price premium (- discount) to net asset value % 12-month average premium (- discount) % Z-score

Vinaland (VNL)	-21.5	-31.5	2.7	Tiso BlackStar Group (TBGR)	-37.5	-49.2	2.6
Miton Global Opportunities (MIGO)	-6.2	-9.4	2.5	SQN Asset Finance Income C (SQNC)	12.4	7.1	2.4
Geiger Counter (GCL)	-9.2	-23.1	2.3	Industrial Multi Property Trust (IMPT)	-22.7	-42.4	2.2
Fondul Proprietatea GDR (FP/)	-26.0	-31.1	2.2	Symphony International Holding (SIHL)	-36.8	-44.8	2.2
Boussard & Gavaudan - £ (BGHS)	-18.0	-22.3	2.1	NB Global Floating Rate Income - £ (NBLS)	-0.6	-3.5	2.1
John Laing Environmental Assets (JLEN)	9.4	3.2	2.1	Tetragon Financial (TFG)	-44.0	-48.9	2.1
Vietnam Infrastructure (VNI)	-10.9	-26.9	2.0	Reconstruction Capital II (RC2)	-18.8	-29.8	2.0
Amedeo Air Four Plus (AA4)	20.9	5.5	1.9				

Source: Numis Securities. 13/10/16

India Capital Growth ( IGC ): an opportunistic purchase of this £88 million Guernsey-based, AIM-listed fund came over the summer when the expiration of warrants saw the issuance of a lot of new shares which gave the managers a chance 'to access to a key driver of world growth at an attractive discount.' Managed by David Cornell of Ocean Dials, the trust stands on a 21% discount to net asset value and has delivered a 31% return over one year and 166% over three years.

Alcentra European Floating Rate Income ( AEFS ): Launched in March 2012 in the anticipation of interest rate rises that would boost the value of its portfolio of floating rate loans, this £174 million fund has struggled as the world has entered a 'lower for longer' era for rates. Vanbrugh took a holding around a week after the Brexit vote when the discount reached 9%. It has halved to 4.8% giving it a Z-score of -0.2.

by Gavin Lumsden on Oct 14, 2016 at 18:19

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