

XAI Quarterly Update on London-Listed Investment Companies Market Developments

The UK investment companies market continued to struggle during H1 2023, with the market trading at an average discount of -13.92% at 30 June 2023, compared with -9.85% at 30 June 2022. In further issues, existing investment companies raised less than £1 billion in H1 2023, compared with £4.04 billion raised in H1 2022.

Investment Company Primary Markets Activity in H1 2023

H1 2023 saw the first Main Market investment company IPO (Ashoka WhiteOak Emerging Markets Trust) since December 2021.

IPOs	ITF	Prospectus	Other Announcements	
Conviction Life Sciences	N/A	16 Nov 2022	Pulled IPO – 30 Jan 2023	
AT85 Global Mid-Market Infrastructure Income	21 Nov 2022	10 Jan 2023	Extended IPO – 17 Feb 2023	
Onward Opportunities Limited	N/A	N/A	Admission to AIM and First Day of Dealings – 30 Mar 2023	
Ashoka WhiteOak Emerging Markets Trust	11 Apr 2023	18 Apr 2023	Result of Initial Public Offering – 28 Apr 2023	
Notable Further Issues	Announced	Closed	Amount Raised	Total Assets (30 June 23)
3i Infrastructure	6 Feb 2023	10 Feb 2023	£100 million	£3.3 billion
BH Macro Limited	7 Feb 2023	12 Feb 2023	£315 million	£1.6 billion
Gresham House Energy Storage	18 May 2023	25 May 2023	£50 million	£892 million

Top 10 Sectors by Premium/Discount (as of 30 June 2023)

Despite the overall investment company market trading at an average discount of -13.92%, it saw average one-year price and NAV total returns of 7.39% and 7.58%, respectively.

Sector	# of Funds	Avg. Prem/Disc (%)	Avg. Price TR 1yr (%)	Avg. NAV TR 1yr (%)	Avg. Div. Yield (%)
UK Equity & Bond Income	1	-0.39	8.30	7.66	6.30
Global Equity Income	7	-1.74	13.84	12.94	3.73
UK Equity Income	23	-3.94	7.62	8.83	4.27
Debt - Loans & Bonds	12	-4.15	4.60	5.73	7.68
Asia Pacific Equity Income	5	-5.63	0.60	-0.93	5.78
Japan	6	-6.27	16.83	13.64	1.28
Environmental	3	-7.19	3.10	6.68	0.92
Farmland & Forestry	1	-7.83	-6.54	4.13	0.00
Japanese Smaller Companies	5	-7.96	9.51	8.01	1.75
Property Securities	1	-8.20	-24.49	-19.28	5.85
Total Market (excl. VCTs)	348	-13.92	7.39	7.58	3.45

Liquidations in H1 2023

Three investment companies announced their plans to liquidate in the first half of the year, with two others that previously received shareholder approval to liquidate currently in the process of doing so (Secured Income Fund and Crystal Amber Fund).

Liquidations announced

Investment company	Manager	Sector	Inception Date	Announcement Date
Blue Planet Investment Trust	Blue Planet Investment Management	Global	Dec 1998	Feb 2023
SME Credit Realisation Fund	SME Credit Realisation	Debt – Direct Lending	Nov 2015	Mar 2023
abrdn Latin American Income	abrdn	Latin America	Aug 2010	Jun 2023

Management Changes and Mergers in H1 2023

Three management changes occurred in the first half of the year.

Management changes announced

Investment company	Previous manager	New manager	Sector	Announcement Date
Majedie	Majedie	Marylebone Partners	Global Equity Income	Jan 2023
Home REIT	Alvarium Investments	AEW UK Investment Management	Property – UK Residential	May 2023
Ceiba Investments	abrdn	Self-managed	Property – Rest of World	Jun 2023

Spotlight: London Stock Exchange Green Economy Mark

The Green Economy Mark recognizes London-listed companies and funds that derive more than 50% of their revenues from products and services that are contributing the environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy.

LSE Green Economy Cohort 2023 – Investment Companies¹

The 2023 Green Economy Cohort includes 112 total members, of which 28 are investment companies (listed below).



Fund Name	Ticker	Sector	Market
Aquila Energy Efficiency Trust Plc	AEET	Renewable Energy Infrastructure	Main Market
Aquila European Renewables Income Fund Plc	AERI	Renewable Energy Infrastructure	Main Market
Atrato Onsite Energy Plc	ROOF	Renewable Energy Infrastructure	Main Market
Bluefield Solar Income Fund Limited	BSIF	Renewable Energy Infrastructure	Main Market
Downing Renewables & Infrastructure Trust	DORE	Renewable Energy Infrastructure	Main Market
Ecofin U.S. Renewables Infrastructure Trust Plc	RNEW	Renewable Energy Infrastructure	Main Market
Foresight Solar Fund Limited	FSFL	Renewable Energy Infrastructure	Main Market
Foresight Sustainable Forestry Company Plc	FSF	Farmland & Forestry	Main Market
GCP Infrastructure Investments Limited	GCP	Infrastructure	Main Market
Gore Street Energy Storage Fund Plc	GSF	Renewable Energy Infrastructure	Main Market
Greencoat Renewables Plc	GRP	Renewable Energy Infrastructure	AIM
Greencoat UK Wind Plc	UKW	Renewable Energy Infrastructure	Main Market
Gresham House Energy Storage Fund Plc	GRID	Renewable Energy Infrastructure	Main Market
Harmony Energy Income Trust Plc	HEIT	Renewable Energy Infrastructure	Main Market
HydrogenOne Capital Growth Plc	HGEN	Renewable Energy Infrastructure	Main Market
I(x) Net Zero Plc	IX	N/A ²	AIM
Impax Environmental Markets Plc	IEM	Environmental	Main Market
JLEN Environmental Assets Group Limited	JLEN	Renewable Energy Infrastructure	Main Market
Jupiter Green Investment Trust Plc	JGC	Environmental	Main Market
NextEnergy Solar Fund Limited	NESF	Renewable Energy Infrastructure	Main Market
Octopus Renewables Infrastructure Trust Plc	ORIT	Renewable Energy Infrastructure	Main Market
Premier Miton Global Renewables Trust Plc	PMGR	Infrastructure Securities	Main Market
SDCL Energy Efficiency Income Trust Plc	SEIT	Renewable Energy Infrastructure	Main Market
The Renewables Infrastructure Group Limited	TRIG	Renewable Energy Infrastructure	Main Market
Triple Point Energy Transition Plc ³	TENT	Renewable Energy Infrastructure	Main Market
Tritax Eurobox GBP	BOXE	Property - Europe	Main Market
US Solar Fund Plc	USF	Renewable Energy Infrastructure	Main Market
VH Global Sustainable Energy Opportunities Plc	GSEO	Renewable Energy Infrastructure	Main Market

Source: London Stock Exchange; theaic.co.uk.

1. Excluding VCTs.

2. I(x) Net Zero is not a member of the AIC and is not categorized by the AIC.

3. F.k.a. Triple Point Energy Efficiency Infrastructure Company Plc (TEEC).

Why Might U.S. Asset Managers Consider the London Market?

- **Investment Strategy and Fee Flexibility:** London-listed investment companies benefit from flexibility in terms of performance fees, leverage use and underlying asset class.
- **Limited Issuance Expenses:** Fund launch and underwriting expenses for London-listed investment companies are significantly lower than the 4-7% chargeable in the United States, with investors paying up to 2%. Limited out-of-pocket expenses.
- **Large Institutional Investor Base:** Investors in London-listed investment companies are predominantly institutional and professional investors, with a specific mandate to invest almost exclusively in investment companies.
- **Extensive Test Marketing:** Investment company managers are able gauge institutional interest for strategies, with guidance from an established ecosystem of financial advisors prior to any significant financial commitments being made.

U.S. vs U.K Listed CEF Economics

	U.S. CEFs ¹	U.K. CEFs
Term	12-year term	Perpetual
Gross Spread	~3%	2% paid by fund ²
Sponsor Break-even	3-4 years	0-1 year

1. All of the U.S. CEFs reflect the new structure for listed CEFs where the fund sponsor is responsible for paying the sales load on behalf shareholders.

2. The issuance costs that investors will bear are generally capped at 2% of gross proceeds, but these costs may vary between offerings. In the event of a failed deal, the fund sponsor is responsible for paying incurred expenses.

London Fund Launch Potential Criteria

Strategies that are **likely** to attract institutional buyers in the London-listed investment company marketplace

Income	High current yield to attract institutional buyers who are seeking income
Private Markets	Less liquid or illiquid investments in private markets are favored over publicly traded securities
Alternatives	Investors look to investment companies to hold uncorrelated illiquid assets with higher expected total returns
Premiums	Similar strategies to competitor funds that currently trade at premiums
ESG / Impact	Funds investing in ESG/sustainable strategies have been embraced by the market in recent years
New / Niche	New asset classes can be created in specialty focus areas
UK Focus	Demonstrate some affinity or benefit for the UK (e.g., Home REIT that provides housing for UK homeless population)
US Manager	Known, respected manager will increase chances of success in marketing
Seed Capital	Many offerings have seed capital or an existing pipeline, invest-up runs 6-12 months (12 months max)

Strategies that are **less likely** to attract institutional investors in the London-listed investment company marketplace

Growth	Diversified private equity strategies or fund-of-fund private equity may be difficult to launch due to the lack of current yield. Exceptions apply for niche sector-focused private equity or venture capital strategies
Public Securities	Investors do not look to investment companies to hold traditional assets that they can access directly
Discounts	Similar strategies to competitor funds that currently trade at discounts are less likely to succeed

Different LSE Markets for Listed Funds Defined

- **Main Market – Premium:** The LSE's Main Market segment dedicated to closed-ended investment funds targeting retail and institutional investors.
- **Main Market – Specialist Fund Segment (SFS):** The LSE's dedicated segment for specialist, closed-ended investment funds targeting institutional, professional, professionally advised and knowledgeable investors. Types of fund investments include private equity, feeder funds, hedge funds, specialist geographical, sophisticated structures of security types, specialist property, infrastructure, sovereign wealth and single asset funds.
- **Alternative Investment Market (AIM):** The LSE's market for small and medium size growth companies in need of access to capital, providing companies with access to a diverse set of investors and a supportive advisory community, who understand the needs of entrepreneurial businesses.

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Risks

Closed-end funds; Market Discounts: Closed-end funds are designed primarily for long-term investors. Closed-end funds differ from open-end funds (commonly known as mutual funds) because investors in a listed closed-end fund do not have the right to redeem their shares on a daily basis but may sell their shares on the fund’s relevant exchange in the secondary market. Shares of closed-end funds frequently trade at a discount from their net asset value, which is a risk separate and distinct from the risk that a fund’s net asset value could decrease as a result of its investment activities.

London-Listed Investment Company Market Resources

Source	Resources
XAI	<ul style="list-style-type: none"> Webinar: London-Listed Fund Market Opportunities for U.S. Asset Managers (16 June 22) Webinar: Raising Permanent Capital in the London-Listed Fund Market (1 March 22) White Paper: Finding Success in the London-Listed Fund Market (20 May 21)
London Stock Exchange	<ul style="list-style-type: none"> Webinar/Conference Replay: London Stock Exchange Annual Funds Conference 2023 Article: Investment trusts: setting yourself apart from the crowd Content Library: London Stock Exchange Spark Platform
AIC	<ul style="list-style-type: none"> Monthly Newsletter: Compass (July 2023) Fund Information: Compare Investment Companies and Investment Company Screener

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