

Sector Activity

As we approach the end of the first quarter, March has seen a significant increase in funds raised at £1.1bn at the time writing, helped by the £610m raised by the BioPharma Credit IPO. This will increase as there are four secondary fund raisings due to close before the end of the month. The first quarter has seen four IPOs, with majority of funds raised by secondary issues. As the Guinness Oil & Gas Exploration Trust IPO was not successful, the fund raisings have been focused on alternative and property income. There are two equity focused IPOs planned, the Emerging Market & Frontier Market Income Fund from Jupiter and the Downing Strategic Micro-Cap Investment Trust.

The search for a wider investor universe has seen Foresight Solar Fund include a secondary listing in South Africa at the time of their current fundraising. Blackrock Growth Europe Fund has announced a possible listing in South Africa, along with Schroders Real Estate Investment Trust late last year.

The season of Broker Investment Company Conferences, together with the AIC annual conference has highlighted some reoccurring themes. The backdrop remains the debate in the press and the fund management industry of Active v Passive Investment.

- The importance of investment companies providing permanent capital and the ability to take a long term investment approach.
- Investment companies can be better at presenting their competitive advantages.
- Increased focus on direct private investors on the share registers of Investment Companies.

Insights into Brewin Dolphin's approach to Investment Companies Sector

With managed funds of £36.4bn (£33bn under discretionary and advisory management), Brewin Dolphin remain important investors across the Investment Companies sector. John Newlands shared his views on the firms approach to the sector. The firms' current investment in collectives is just over £15.5bn, split between Open Ended funds (£11bn) and Investment Companies (£4.7bn). The relative split has now settled around these levels. Whilst there is no formal limit on minimum size for an Investment Company, a market capitalisation below £250m it is unlikely to be put on the research list. A similar approach is used when looking at potential IPOs.

When deciding between open or closed ended funds some of the key attractions for investing via an Investment Company are: access to speciality assets not suitable for an open-ended structure, enables the fund manager to take a long term view on investments undisturbed by short term cash flows and stronger corporate governance from an independent board. The main negative remains liquidity.

On fees the world has changed since RDR and Investment Companies are often more expensive. Performance fees have their place provided there is a credible benchmark, an acceptable cap on total fees and a clear structure with high water marks etc.

With the dominance of alternative income across recent fund raisings, John was keen to see more IPOs by equity strategies, but recognised that Brewin Dolphin may not support smaller Investment Companies at launch due to size.

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