FIDANTE PARTNERS

Fidante Daily Digest

News bulletin on alternative investment companies

30 November 2018

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1	2	3	4	5

3 IHR - Impact Healthcare REIT – Acquisition and fundraising update

Invests in residential care homes with long leases

- On 24 October 2018, IHR announced that it was in advanced negotiations to acquire an identified pipeline of attractive investment opportunities including a portfolio of UK care homes with over 2,500 beds. Further to this announcement, the company has decided not to exchange contracts on this acquisition during 2018 and, therefore, will not proceed with an equity fundraising before year-end. The company remains in discussions with the vendors of the portfolio and of other attractive investment opportunities, in line with its investment criteria and return profile, and expects to raise equity capital in 2019.

3 PRSR - PRS REIT – Acquisitions

Invests in PRS properties in England

- PRSR has signed contracts regarding four new development sites, acquiring two immediately and entering into forward contracts for the other two sites. The four sites are anticipated to deliver a total of c. 464 new family rental homes for a gross development cost (GDC) of c. £68.2m.
- The two newly-acquired development sites are in Salford and in Knowsley. Once constructed and fully let, these sites are expected to yield a rental income of c. £2.1m per annum from c. 240 homes, with completion anticipated in the first half of 2020.
- The forward contract agreements are over two sites, in Telford and Salford. The acquisition of these sites will be triggered by planning approval, the process of which is currently underway. The estimated rental value (ERV) of the c. 224 new homes to be constructed across the two sites is c. £2.1m per annum.
- Following the acquisition of the two additional development sites, PRSR will have a total of 36 sites that are either completed or contracted, equating to around 3,000 new family homes. The GDC of the 36 sites is c. £452m (30 September 2018: £384m) and the homes have an ERV of c. £28m per annum (30 September 2018: £24.1m).

3 TFIF - TwentyFour Income – Results of placing

Invests in securitised European real estate bonds and other ABS

- Following the announcement of a proposed issue of equity on 26 November 2018, the board announced that the placing has closed, raising c. £23.0m (before costs and expenses) through the issue of 20m new ordinary shares at a price of 115.3pps under the placing. The placing price represents a premium of 2% to the NAV as at 23 November 2018 (113.06pps). Admission and the start of trading in the new shares is expected on 4 December 2018.

2 RECI - Real Estate Credit Investments – Interims to 30 September 2018

Invests in European real estate securities

- The NAV as at 30 September 2018 was 164pps (previously reported to be 164.1pps), up 3.71% total return over the reporting period (up 4.03% total return based on the previously reported NAV as at 31 March 2018 of 163.6pps). The company paid two quarterly dividends during the period and has declared a quarterly dividend of 3.0pps (unchanged), payable on 4 January 2019, with ex-dividend date 13 December 2018. The investment manager intends to maintain a stable dividend paying capability.
- At the end of the period, the company's portfolio, a diversified book of 44 positions in real estate bonds and loans, was valued at £250.3m, up from £245.4m as at 31 March 2018. The

portfolio had a weighted average yield of 9.2% and an average LTV of 65.3%. The drawn fair value of the loan portfolio increased from £148.1m as at 31 March 2018 to £159.4m as at 30 September 2018. During the half year, RECI funded £36.9m of existing commitments, and total loan commitments were £225.5m as at 30 September 2018. The loan portfolio weighted average yield was 10.3% per annum. As at 30 September 2018, the real estate bond portfolio comprised 25 bonds and was valued at £90.9m, with a nominal face value of £91.9m (31 March 2018: 24 bonds valued at £97.3m with a nominal face value of £106.1m). The total gross return of the bond portfolio during the period was £3.6m. This portfolio had a short weighted averaged life (2.8 years) and a high coupon, which is defensive in the face of interest rate rises. RECI received cash repayments and interest during the period of £9.8m.

- On 21 September 2018, RECI announced that it had raised gross proceeds of £23.2m in a tap issue, and in October 2018 it invested £48m in new bond positions, fully deploying the proceeds of the fundraising. As at 31 October 2018, the portfolio consisted of 29 bonds with a fair value of £139.0m and a nominal face value of £141.0m. On 2 November 2018, RECI launched a new placing programme for up to 100m new ordinary shares (expiring on 2 November 2019), which was approved by shareholders at the EGM yesterday.

DID YOU KNOW?

Author: Aliy Akbarov

5G update – technology and geopolitics

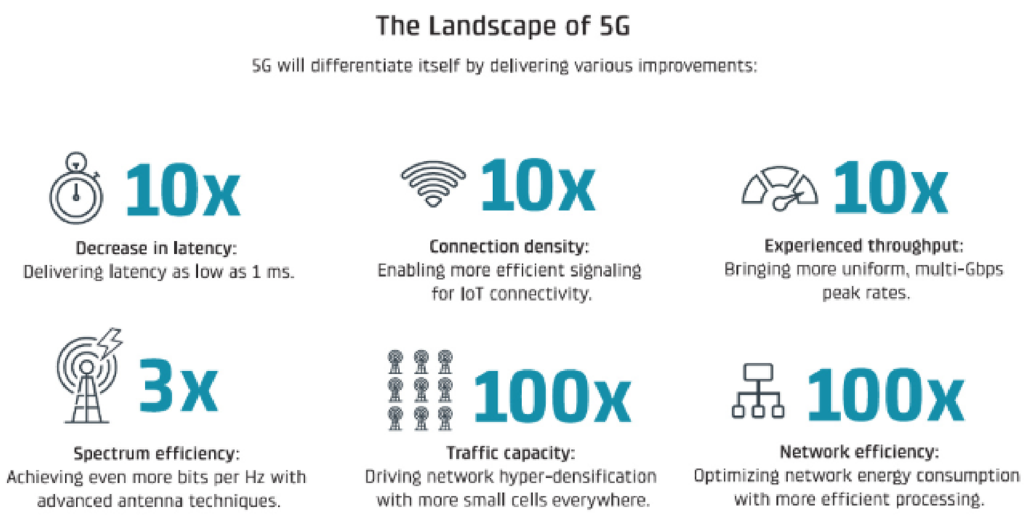
Happy Friday! It seems like yesterday that mobile network providers were rolling out contracts with promises of unparalleled speeds, thanks to the new ‘4G’ technology. And improved speeds we got, along with the ability to stream and store most things online from the comfort of our mobile phone. The ‘G’ here stands for ‘generation’ which has the commonly accepted definition of a period of about 25 years. But as we know, with the lightning speed of our current technological advancement, 5G technology will be coming to the market much sooner than that. In turn, this brings a myriad of new questions and challenges that we will not necessarily be aware of, as the end user.

Let’s start with a key fact – unlike the previous transition from 3G to 4G, which was largely a bump in speed and related capability, the switch from 4G to 5G is much more ground breaking. To give you an idea, 5G networks, which are to be rolled out commercially over the next decade, are the bedrock on which most of the latest technology is being built. For its part, once implemented, 5G will boost speeds by up to a whopping 100 times compared to 4G. These types of network speeds will genuinely render the word ‘download’ obsolete with time, as all content will be available to view as if it was being streamed. But as I said, it’s not all about the speed here. More important is the role that 5G will play in allowing huge number of internet-connected devices (Internet of Things) to seamlessly work together across various geographies. That means that 5G will be the foundation on which technologies such as driverless cars, smart cities and interactive AI will be built on. In that same vein, 5G will better capture massive amounts of new data and analyse it to enhance end-user experience. In turn, this will power further innovation, driven by our own consumption habits. Some particularly bullish experts are adamant that the switch to 5G will be a bigger leap forward for humanity than the original internet and maybe even, perhaps, electricity. I take these types of predictions with a pinch of salt, but it is quite clear that world leaders aren’t really doing that.

If you think about the above as a politician, it doesn’t take too long to realise that whichever country best develops and proliferates the 5G technology globally will be at a massive advantage against any adversary. Donald Trump’s bucket list of sanctions on parts of the Chinese economy seems never-ending and at this point, somewhat repetitive and monotone. The flamboyant President has in some instances gone as far as singling out specific Chinese companies such as ZTE and Huawei, citing them as risks to the global world order. The latter is particularly pertinent to the 5G conversation as it has become one of the global bellwethers in mobile technology. Using its subsidiaries, the company has made huge headway in securing roles in the development of the 5G infrastructure across the world’s most developed economies, including Canada and the UK. I won’t speculate about the capabilities of Huawei in that respect as I don’t know enough to comment, but it is a slight reversal from the position when we were used to western companies bringing technology to the East, not the other way around.

In any case, this headway hasn’t gone unnoticed and the Trump administration has rung the bells to indicate its concerns at the activities of companies such as ZTE and Huawei. In a fairly recent escalation, the US administration has ratcheted up its campaign against Huawei by leaning directly on its closest allies to stop the current 5G development in its tracks. Of course, we can’t lay all the responsibility for this campaign on the US – other countries will also have their own national security concerns about handing over their networks to the Chinese. The outcome has been that Australia, as has become the custom, has led the way of falling in line with Washington's policy by banning both Huawei and ZTE in its home market. New Zealand also followed suit this week, by banning Huawei from its network. At present, only two members of the so-called 'five eyes' haven't banned Huawei's 5G technology – Canada and the UK. Both are currently carrying out enquiries with their security apparatus to determine the extent of the threat posed by 5G and which, if any, actions should be taken. It is highly likely that the result of these enquiries will be similar to that of Australia and New Zealand, resulting in a ban, to much cheering in Washington. The problem is – whilst the US can count on its historic allies, it doesn't necessarily have enough clout to bring this to a stop. Indeed, Beijing has over time developed its own sphere of interests and has gazumped the US as the main trade partner for many emerging markets. Given the bulk of global growth is expected to be generated there in the next few years, the current battle may be won but the war for 5G dominance is just heating up.

What is 5G really about?



Source: GZERO, Visual Capitalist, Fidante Partners, 2018.

Portfolio news

- Chenavari Capital Solutions (CCSL*) – October 2018 update – As previously announced, the NAV as at 31 October 2018 was 89.61pps, up 0.24pps (0.27%) in October and up 1.70% year-to-date. This performance largely resulted from the portfolio's positive carry, which was partially offset by a slight mark-down on one of the Spanish NPL positions. Since the Q3 2018 shareholder's call on 25 October 2018, the cumulative default rates and the loss rates for both the Italian SME loan risk-sharing transactions (ITAL_SME_1 and ITAL_SME_2) have remained lower than the base case.

Declared dividends

- Juridica (JIL) declared a dividend of 1.5pps (down 2.5pps), payable on 28-Dec-18, with ex-dividend date 6-Dec-18.
- SQN Secured Income (SSIF) declared a quarterly dividend of 0.583pps (unchanged), payable on 28-Dec-18, with ex-dividend date 6-Dec-18.

Credit/lending NAV performance

- CVC Credit Partners European Opportunities (CCPG) GBP NAV as at 16-Nov-18 (110.22pps) was down 0.76pps (0.68%) since the last NAV on 9-Nov-18, down 0.72% month-to-date and up 3.44% year-to-date.
- P2P Global Investments (P2P) NAV as at 31-Oct-18 (9634.10pps) was up 4.98pps (0.52%) in October and up 3.64% year-to-date.

Private equity NAV performance

- Tetragon (TFG) NAV as at 31-Oct-18 ($21.51, ex the dividend that went ex on that date) was down $0.27 per share (1.23%) in October and up 5.52% year-to-date.

Share buybacks and issuance

- Alcentra European Floating Rate Income (AEFS) bought back 500,000 shares at 99.3pps on 29-Nov-18.
- Capital Gearing Trust (CGT) issued 6,500 shares at 4079pps on 29-Nov-18.
- JPMorgan Global Convertibles Income (JGCI) bought back 150,000 shares at 88.51pps on 29-Nov-18.
- NB Distressed Debt Extended (NBDX) bought back 20,000 Extended shares at $0.9425 per share on 29-Nov-18.
- NB Global Floating Rate Income (NBLS*) bought back 2,150,000 GBP shares at 88.4658pps and 93,254 USD shares at $0.937609 per share on 29-Nov-18.
- P2P Global Investments (P2P) bought back 20,000 shares at 787.7pps on 29-Nov-18.

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