



## Fidante Daily Digest

News bulletin on alternative investment companies

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## 2 3IN – 3i Infrastructure – Q4 2018 update

Invests in infrastructure businesses and assets

- On 29 October 2018, Wireless Infrastructure Group (WIG) announced two acquisitions,

growing its presence in the UK and Irish markets. In the UK, it acquired Arqiva's Indoor Networks business, and in Ireland it acquired Highpoint Communications. Both acquisitions were financed by WIG with no further equity contribution from 3IN.

- The portfolio overall continues to perform in line with expectations and is delivering a good level of income. Total portfolio income and non-income cash was £25.9m over the period, comprising income of £25.8m and non-income cash of £0.1m (30 September 2018: £24.2m of income and £84.4m of non-income cash). 3IN is on track to deliver its target dividend of 8.65pps for FY2019, expected to be covered by a significant surplus.
- As at 31 December 2018, 3IN had £142m of cash balances and the undrawn balance of its revolving credit facility was £283m. This cash is expected to be used to fund the company's outstanding commitment to acquire Tampnet, the leading independent offshore telecoms network operator in the North Sea and the Gulf of Mexico (completion expected to occur before the end of the financial year). Proforma net debt was £89m after funding the interim dividend of £35m and the Tampnet commitment of c. £196m.
- The company became an Approved Investment Trust Company (AITC) for accounting periods starting on or after 15 October 2018, and it signed a new management agreement with 3i Investments to become the company's investment manager.

## **2 GRID – Gresham House Energy Storage – Q4 2018 NAV**

Invests in utility scale energy storage systems in Great Britain

- The NAV as at 31 December 2018 was 98.04pps, up 0.04pps (0.04%) since the IPO on 13 November 2018. The updated NAV takes into account the net income, launch costs and the costs associated with the acquisition of the seed assets (cost £57.2m).
- The company is currently around 60% invested in the five seed Energy Storage Systems (ESS) projects, and the manager expects the remaining proceeds from the IPO to be fully committed in the first half of 2019. The manager is now focused on deploying the remaining cash raised at IPO.
- The construction of the company's next project in Wolverhampton, a 5MW symmetrical battery project, is underway. The acquisition will complete after commissioning, which is expected in Q2 2019. During February 2019, signing of an EPC contract for the next 50MW project is expected to start, for potential acquisition by the company in Q3 2019. In order to build out the remaining pipeline of exclusive projects highlighted at the time of the IPO, the company intends to raise additional funds in 2019, as part of the placing programme allowed under the prospectus.
- The manager notes that the UK's exposure to renewable energy generation has increased significantly over the last few years and has not lessened following the removal of legacy subsidies, largely due to the strong development of offshore wind installations. As a result, the manager states that generation from wind is having a growing impact on the grid, generating a volatile supply of energy, underpinning the opportunity for ESS.

## **3 CBA – CEIBA Investments – Trading statement**

Invests in Cuban real estate

- Following its IPO in October 2018, the company has now deployed all the funds raised (£30m gross), using the proceeds from the listing, existing cash resources and dividends distributed from the company's JV investments. As was stated in the prospectus, immediately after the listing, the company repaid the outstanding EUR 30m bridge loan that was previously provided by its largest shareholder in order to expand the company's interest in the Meliá Las Americas, Meliá Varadero and Meliá Sol Palmeras hotels (the Varadero hotels). In relation to the merger between the Cuban JV company Miramar and the JV company that owned these hotels,

capital contributions were made to Miramar, of which CBA's interest was over \$18m. As part of the merger, the land leases of the hotel properties in Havana and Varadero were extended to 31 December 2042. With respect to the project to develop the 400-room hotel Meliã Trinidad Playa, the company completed its outstanding (\$3.4m) capital contribution to the Cuban JV, TosCuba, and disbursed an additional \$4.8m under a construction finance facility. The construction of the hotel started in December 2018 and is due to be completed in December 2020.

### **Portfolio news**

- Chenavari Toro Income (TORO) – December 2018 update - As previously announced, the NAV as at 31 December 2018 (EUR 0.9813 per share) was up EUR 0.0009 per share (0.09%) in December and up 6.78% in 2018. The carry generated on Taurus was to a large extent offset by markdowns on CLO tranches and warehouses exposure. The CLO manager used the opportunity provided by the decline in European leveraged loan markets during the month to deploy most of the available cash in TCLO 2, 3, 4 and 5, thereby reaching almost full investment.
- Hipgnosis Songs (SONG) – Acquisition – SONG announced that it has acquired a music catalogue from Itaal Shur, best known for co-writing the multi-platinum song 'Smooth' (released in 1999) which, according to Billboard magazine, is the second most successful song of all time, winning a number of high-profile accolades. The company has acquired a 100% interest in the catalogue, including the BMI (Broadcast Music Inc.) share. The catalogue comprises 209 songs in total.

### **Other corporate actions**

- Schroder Real Estate (SREI) – Increase in loan facility – SREI has expanded its revolving credit facility (RCF) with RBS from £32.5m to £52.5m. The extension will maximise operational flexibility and provides additional capacity for a pipeline of asset management initiatives and future income enhancing acquisitions. The additional loan amount matures in July 2023 and will end at the same time as the existing RCF facility. The company's net LTV is c. 29%, within the target ratio of 25% to 35%.

### **Results in brief**

- Drum Income Plus (DRIP) – Finals to 30 September 2018 – The EPRA NAV as at 30 September 2018 was 93.77pps, up 6.21% over the 12-month reporting period (total return). Dividends in respect of the financial year totalled 6.0pps, an increase of 9.1% on the dividends paid in respect of the previous year. The dividends were fully covered by EPS of 6.8pps. A reduction in value was seen within the company's portfolio at the property in Eastern Avenue in Gloucester, when one sitting tenant entered a Company Voluntary Arrangement (CVA). The investment adviser has a number of initiatives in relation to this asset which, if successful, should result in the decline in value seen in 2018 recouped to some extent. Offsetting this loss was activity elsewhere in the portfolio, where valuations have increased reflecting new lease terms and increased rents.

### **Declared dividends**

- CVC Credit Partners European Opportunities (CCPG) declared a quarterly dividend of 1.375p per GBP share and EUR 0.01375 per EUR share (both unchanged), payable on 22-Mar-19, with ex-dividend date 7-Feb-19.
- Impact Healthcare REIT (IHR) declared a quarterly dividend of 1.50pps (unchanged), payable on 22-Feb-19, with ex-dividend date 7-Feb-19.
- Residential Secure Income (RESI) declared a quarterly dividend of 1.25pps (up 0.50pps and as targeted for the financial year starting 1-Oct-18), payable on 8-Mar-19, with ex-dividend date 7-Feb-19.

- SQN Secured Income (SSIF) declared a monthly dividend of 0.583pps (unchanged), payable on 22-Feb-19, with ex-dividend date 7-Feb-19.

### Credit/lending NAV performance

- SQN Secured Income (SSIF) NAV as at 31-Dec-18 (96.73pps) was up 0.44% in December and up 5.06% in 2018.

### Property NAV performance

- Impact Healthcare REIT (IHR) NAV as at 31-Dec-18 (103.18pps) was up 2.36% since the last NAV on 30 September 2018 and up 8.78% in 2018.
- Residential Secure Income (RESI) NAV as at 31-Dec-18 (105.9pps) was up 1.47% since the last NAV on 30 September 2018 and up 11.25% since the IPO on 12-Jul-17. The portfolio was valued at £249.9m as at the end of the period, reflecting a like-for-like increase in the portfolio valuation of £0.9m in Q4 2018.

### Hedge fund NAV performance

- BH Global (BHGG) GBP NAV as at 25-Jan-19 (1536pps) was up 11pps (0.72%) since the last NAV on 18-Jan-19 and down 0.05% year-to-date.
- BH Macro (BHMG) GBP NAV as at 25-Jan-19 (2417pps) was up 22pps (0.92%) since the last NAV on 18-Jan-19 and up 0.15% year-to-date.
- Highbridge Multi-Strategy (HMSF\*) final NAV as at 31-Dec-18 (215.17pps) was up 0.07pps (0.03%) with respect to the estimated NAV as at that date, down 1.40% in December and down 2.04% in 2018.
- Third Point Offshore (TPOU) final NAV as at 31-Dec-18 (\$17.24 per share) was down \$0.05 per share (0.29%) with respect to the estimated NAV as at that date, down 6.41% in December and down 11.32% in 2018.

### Share buybacks and issuance

- Alcentra European Floating Rate Income (AEFS) bought back 480,000 shares at 95.30pps on 29-Jan-19.
- Ballie Gifford US Growth (USA) issued 250,000 shares at 114.2pps on 29-Jan-19.
- Capital Gearing Trust (CGT) issued 14,000 shares at 4065pps on 29-Jan-19.
- City Merchants High Yield (CMHY) issued 100,000 shares at 183.74pps on 29-Jan-19.
- JPMorgan Global Convertibles Income (JGCI) bought back 29,587 shares at 87.98pps on 29-Jan-19.
- Funding Circle SME Income (FCIF) bought back 50,000 shares at 87.2pps on 29-Jan-19.
- NB Global Floating Rate Income (NBLS) bought back 1,000,000 GBP shares at 88.3pps on 29-Jan-19.
- P2P Global Investments (P2P) bought back 1,600 shares at 820.0pps on 29-Jan-19.
- Personal Assets (PNL) issued 1,900 shares at 39220pps on 29-Jan-19.
- Third Point Offshore (TPOU) bought back 5,000 shares at \$14.0585 per share on 29-Jan-19.

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