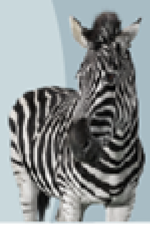
Investec

Investec Bank plc (UK)



Investment Companies

10 January 2025 18:57 GMT

Sector Comment

Time to man the barricades against an egregious and opportunistic attack, but also for some industry self-reflection

We strongly recommend shareholders VOTE AGAINST Saba's resolutions and send a clear and decisive message.

Shareholders have one shot, one opportunity to prevent Saba seizing control of their company.

Investec view: On 18 December 2024, Saba Capital Management (Saba) launched a broadside at seven investment companies, that it has derogatorily referred to as "the Miserable Seven". Launching a campaign like this over Christmas is a classic activist tactic, clearly designed, in our view, to materially reduce the length of time that these investment companies can engage with shareholders and mount an effective defence. We see this as "greenmail", pure and simple. However, it goes beyond the "greenmail" that Warren Buffett described as "odious and repugnant" in his 1984 shareholder letter (see Appendix on page 8).

In our opinion, this is all about Saba looking to opportunistically take advantage of a UK closed end industry that is enduring a perfect storm, after an extended and exceptionally strong period, and grow its own assets under management. Shocking developments at Keystone Positive Change, where Saba has said they intend to block the winding up of the company and an uncapped exit at a 1% discount, should leave UK investors under no illusions about Saba's modus operandi.

We are deeply concerned about Saba's proposals on many levels. While the devil is supposed to be in the detail, the latter is conspicuous by its absence. Just how are shareholders expected to make an informed decision with Saba failing to provide even basic information on key fundamental issues including their own track record, future portfolio exposure, fee arrangements, liquidity options and discount control mechanisms. The paucity of information suggests strongly to us that Saba is relying on investor inertia, rather than the strength of its own arguments, for the resolutions to succeed.

Do shareholders really believe that they will enjoy the same level of protection if Saba is successful and the current Board is replaced with a two-person Board, consisting of a Saba employee and a Saba nominated appointee? Moreover, should Saba's resolutions pass, for those managing money on behalf of clients who either vote for Saba, or don't vote given this information vacuum, how do they justify such a "leap-of-faith" action to their clients?

Regarding performance records, Saba hasn't been shy in lambasting the "Miserable Seven", based on average discounts and shareholder total returns over the past three years. We note that this period started a few days before a brutal de-rating of the UK closed-end industry, with the transition from the great moderation to a new regime of higher inflation/interest rates and volatility creating exceptionally strong headwinds, particularly for those focussed on long-duration investments and interest rate sensitive asset classes. On p5, we show the long-term performance records of the seven investment companies (10 years or since IPO), discount history and share issuance/buybacks.

In our view, an inconvenient truth for Saba is the performance of its flagship Closed End Fund ETF since launch in 2017; the total return is 124% vs. a benchmark total return of 191.1%, with the fund having underperformed in seven out of eight years. Moreover, we highlight that Saba's two US closed end funds are trading on discounts of 8.3% and 10.5% respectively. We also highlight that the management fee of the ETF is 1.1% of NAV, while the Total Annual Expenses is an eye-watering 5.8%, which reflects the fund-of-funds approach and includes interest expenses.

Inconvenient truths?

Saba's track record

Saba Closed-End Funds ETF vs. benchmark since IPO (base = 100)

Source: Refinitiv

Expenses/Discounts

Saba Closed-End Funds ETF	
Management Fee	1.1% of NAV
Total Annual Expenses	5.81%
Saba Capital Income & Opportunities Fund	
Expense Ratio (Gross/Net)	6.1%/1.56%
Discount	8.3%
Saba Capital Income & Opportunities Fund II	
Expense Ratio (Gross/Net)	2.36%/2.06%
Discount	10.5%

Source: Latest factsheets/CEFdata.com

Alan Brierley
+44 (0)20 7597 5201
+44 (0)7922 419 090
alan.brierley@investec.co.uk

Ben Newell
+44 (0)20 7597 4522
+44 (0)7912 774 454
ben.newell@investec.co.uk

"Saba's Track Record" – What track record? On the first page of Saba's Mind-the-Gap webpage, there is a section called "Saba's Track Record". Given that Saba is seeking appointment as the new investment manager of seven investment companies, current shareholders would naturally expect to find comprehensive details of their performance record.

However, there are no such details. Instead, we are informed that *Saba has negotiated dozens of shareholder-friendly corporate actions*.... We are then given four examples, starting with Citadel Income Fund, which had a market value of just C$26m, or c.£16m, when Saba requisitioned a special meeting.

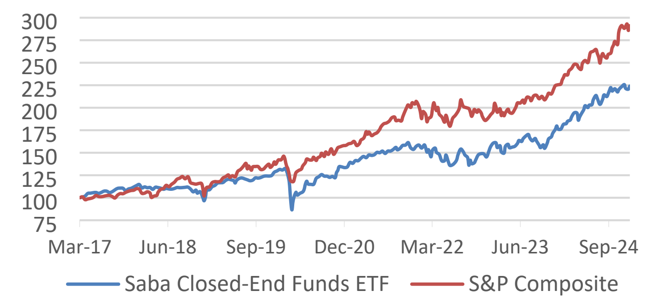
Given the absence of any details that distinguish Saba's Track Record, we thought we'd highlight the performance record of Saba's flagship Closed-End Funds ETF (Nasdaq ticker – CEFS). This was launched with net assets of $28m in March 2017, it broke through $100m at the start of 2023, and now has net assets of $246m. The portfolio gives exposure to 98 closed-end funds, with BlackRock funds representing 38.5% of NAV; the asset allocation is currently as follows: equities – 54%; fixed income – 41%; mixed allocation – 5%; and alternatives – 1%.

The following charts show the absolute and relative performance of this ETF and its benchmark index, the S&P 500 (per the last Annual Report). Since IPO, the Saba Closed-End Fund ETF has produced a total return of 124% or 10.9% annualised, some way behind its benchmark total return of 191.1% or 14.6% annualised, and it has lagged its benchmark in seven out of eight calendar years (2017 is from the launch in March of that year). Somewhat inexplicably, in the ETF's last Annual Report, the Board states that the fund had outperformed the S&P 500 benchmark over one, three and five years and since inception, yet this contradicts a chart and summary performance table in the same document that clearly shows it has underperformed over one year and five years and since inception. We have raised this with Saba and Exchange Traded Concepts (the Adviser) and asked for clarification, but at the time of publication, this has not been forthcoming.

It is pertinent to note that Saba employs leverage although we do not have records of historic levels; the current leverage is 11.9% and it was 20.7% on 31 May 2024 (the date of the semi-annual results).

We would also highlight that Saba's absolute returns include an exceptional period since 31 October 2023, with a total return of 46.2%. Indeed, at the start of this period, the annualised total return was running at just 6.7%.

Saba Closed-End Funds ETF and S&P 500 Benchmark – Absolute Returns (US$ total returns, base = 100)

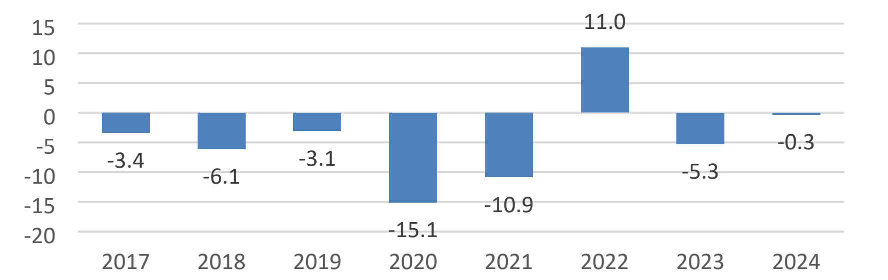


Source: Refinitiv

Saba Closed-End Funds ETF vs. S&P 500 Benchmark – Relative Returns (US$ total returns, base = 100)

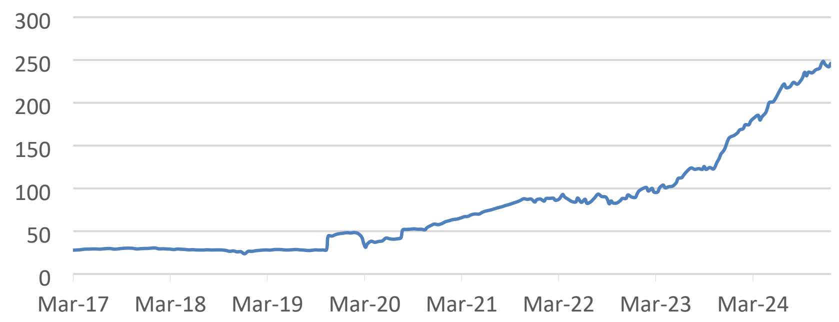
Source: Refinitiv

Saba Closed-End Funds ETF vs. S&P 500 Benchmark (% out/underperformance)



Source: Refinitiv

Saba Closed-end Fund ETF – market value ($m)



Source: Refinitiv

Saba has said that it seeks to create long-term value for shareholders through lower fees. However, there is no visibility on prospective fees: Saba has advised that the proposed strategy will focus on purchasing discounted trusts. We highlight that the Saba Closed-End Funds ETF, which also focuses on investing in closed-end funds trading at a discount, has a management fee of 1.1% per annum.

Notably, the latest factsheet states that the Total Annual Expenses, which includes the fees and expenses of the underlying fund investments, is an eye-watering 5.81%. We note that the Total Annual Expenses includes interest expenses.

Saba also manages the Saba Capital Income & Opportunities Fund (Nasdaq ticker – BRW, net assets $362m, N/R) and Saba Capital Income & Opportunities Fund II (Nasdaq ticker – SABA, net assets $280m, N/R). The BRW management fee is 1.05% of gross assets, while SABA has a tiered management fee, including 0.7% of NAV up to $200m, and 0.635% between $200m and $700m (ultimately falling to 0.5% on net assets above $20bn). According to the last factsheets (which are from 31 July 2024 in both cases), the BRW gross/net expense ratios are 6.1% and 1.56% respectively, while the SABA gross/net expense ratios are 2.36% and 2.06% respectively.

"Best-in-class corporate governance"? For each targeted investment company, Saba is seeking to replace the current fully independent Board, which can demonstrate a deep and broad range of knowledge and experience, with a two-person Board, comprising a Saba employee and a Saba-connected nominee.

Boaz Weinstein, Founder and Chief Investment Officer of Saba, is looking to join the Board of Baillie Gifford US Growth, with Paul Kazarian, Portfolio Manager of Saba, seeking appointment to the Boards of CQS Natural Resources Growth & Income, Edinburgh Worldwide, European Smaller Companies, Henderson Opportunities, Herald, and Keystone Positive Change. We are not aware of the relationship between Saba and the other proposed Board directors, although Baillie Gifford US Growth has highlighted how the husband of the proposed Director, Miriam Khasidy, is a trustee of Saba Capital Income & Opportunities Fund II.

It really is difficult to know where to start.

The proposals suggest a distinct lack of understanding, bordering on contempt, of the AIC Corporate Governance Code which provides a framework of best practice, or of the expectations of current shareholders based on a corporate governance model that has evolved over the long-term. The potential conflicts of interest are material and crystal clear. We note that the AIC Code states that representing a significant shareholder is likely to impair a Director's independence. Do shareholders really believe that the proposed arrangements will provide them with the same degree of investor protection moving forwards?

The structure of the proposed Boards will bear absolutely no resemblance to anything in the UK closed-end market and Saba appears intent on introducing its own corporate governance model. In the UK, a fully independent Board has been widely regarded as best practice for more than a decade, and non-independent Directors have long been frowned upon by most investors. However, Saba is initially proposing a two-person Board where both Directors are effectively non-independent.

It is difficult to see how the reconstituted Boards of these companies could observe the Listing Rule requirement that they are able to act independently of the investment manager, meaning that their Main Market listing would be jeopardised.

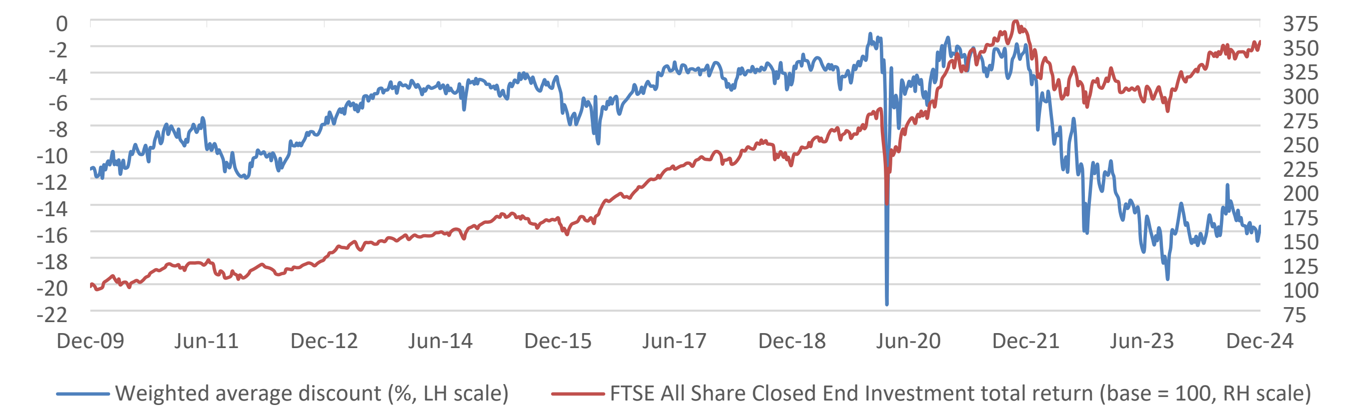
Additionally, while the FCA has published Diversity and Inclusion targets, including that 40% of the Board are women, six of the seven proposed Boards will initially be all-male.

Saba has said that it intends "*that one or more further independent directors will also be appointed to each Board as soon as reasonably possible following the Trusts' General Meetings*". In our view, current shareholders are being asked to take a leap of faith here – there is no certainty of appointment or visibility on the calibre or independence of any future Director. Why should existing shareholders assume any risk here? Given how critical the independence of any ongoing Board would need to be, why not establish up front (and ahead of the general meetings) who all the proposed directors are?

Critical that the UK closed-end industry doesn't allow a perfect storm to become an existential threat

Between 2009 and 2021, the Investment Company industry performed exceptionally well, delivering impressive returns, and raising more than £80bn through primary and secondary share issues, while the weighted average discount narrowed to just 0.5%. However, the following chart highlights how the tailwinds have viciously reversed in the past three years, with the industry now experiencing a perfect storm that has seen a brutal de-rating accompanied by elevated discount volatility.

Closed-end industry: Weighted average discount (%) vs. total returns (base = 100)



Source: Refinitiv

The most supportive of macro backdrops has ended and the transition from the great moderation to a new regime of higher inflation/interest rates and volatility, compounded by once-in-a-generation/century events, has generated significant headwinds. Meanwhile, the seemingly inexorable rise of passive investments, and the extreme polarisation between US exceptionalism and an ongoing collapse in sentiment towards the UK, have been powerful and growing headwinds.

In Q4 2023 we presented to the AIC Channel Islands Conference, giving our perspective, and reflecting the unfiltered thoughts of leading investors on key issues (a synopsis is included below). We said that while some of the ongoing challenges will prove to be cyclical, there are structural issues that must be addressed.

Key messages included the need to formulate and articulate effective capital allocation policies. In addition, with too many companies hiding behind the "buybacks don't work" mantra, we said the industry needed to move on the buyback debate on. Our warning was blunt – with discounts approaching multi-year highs and blood in the water, we said it was inevitable that this would attract both arbitrageurs and corporate buyers. As one investor said, Boards need to be proactive, or activists will take matters into their own hands.

While the UK closed-end industry was initially slow to adapt to the brutal change in the macro-environment in 2022, and while an extended bull market had clearly bred pockets of complacency, we have been encouraged by subsequent proactivity. In the past year, we have seen a raft of corporate actions, including mergers, introductions of conditional tender offers, and 32 investment companies reducing their fees (including a change in the basis of fee calculation), and we expect this trend to remain a feature. In addition, aggregate buybacks increased by 92% to £7.5bn in 2024.

While these developments are welcome and constructive, in our view the ongoing actions of Saba send a clear message that more needs to be done to narrow discounts and control discount volatility. As European Smaller Companies Trust has found out, these attacks have nothing to do with the performance record, and therefore almost any investment company trading on a wide discount is potentially vulnerable.

We believe that the rest of the industry needs to review buyback parameters, both in terms of quantum and levels. While this may adversely impact the marketability of these companies in the short-term, the NAV enhancements must be more palatable than ultimately having to deal with a hostile attack, the associated costs, and perhaps then having no alternative other than to provide an exit on a much narrower discount, which would also have to be offered to all shareholders.

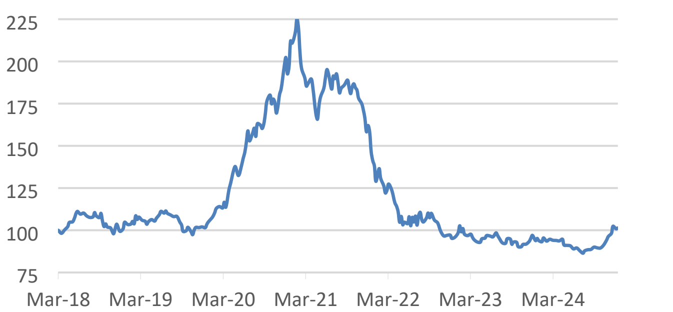
We note that European Smaller Companies Trust has announced that it intends to introduce a three-yearly performance conditional tender offer for up to 15% of its shares at NAV less 2% (in addition to an existing three-yearly continuation vote) and has also added a target to its discount management policy where it will seek to maintain a mid-single-digit discount, in normal market conditions.

Seven investment companies under attack – long-term performance, rating history, shares in issue

Baillie Gifford US Growth Trust (USA.L)

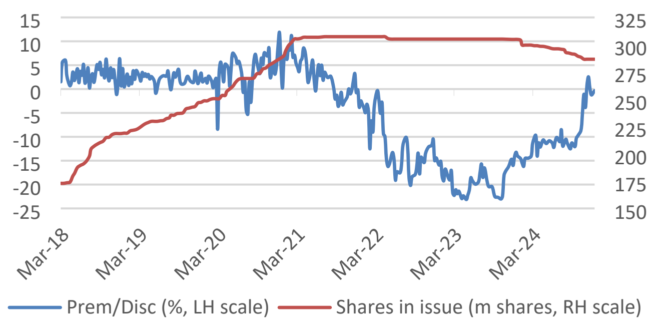
Saba shareholding: 28.4%, market cap: £816m

NAV total return vs. S&P 500 (base = 100)



Source: Refinitiv

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

CQS Natural Resources Growth & Income

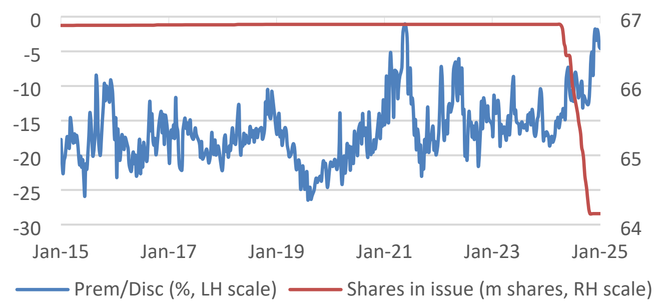
Saba shareholding: 29.1%, market cap: £124m

NAV total return vs. benchmark (base = 100)

Company does not have a benchmark, and we do not have access to its performance comparator data

Source: Refinitiv

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

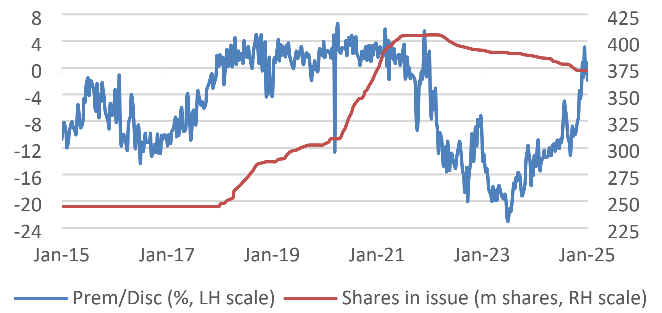
Edinburgh Worldwide Investment Trust

NAV total return vs. S&P Global Small Cap (base = 100)

Source: Refinitiv

Saba shareholding: 21.1%, market cap: £740m

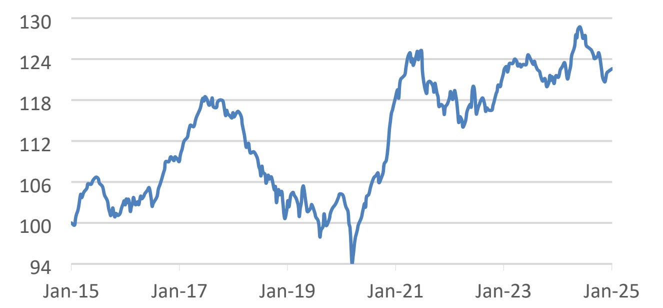
Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

European Smaller Companies Trust

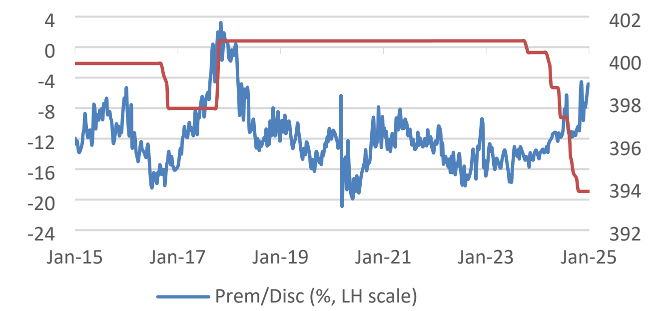
NAV total return vs. benchmark (base = 100)



Source: Refinitiv

Saba shareholding: 29.4%, market cap: £704m

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

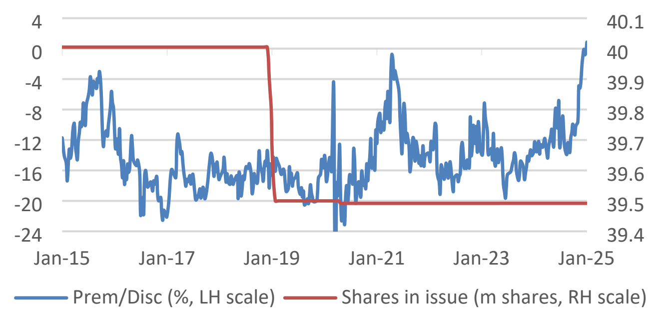
Henderson Opportunities

NAV total return vs. benchmark (base = 100)

Source: Refinitiv

Saba shareholding: 28.4%, market cap: £93m

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

Investec

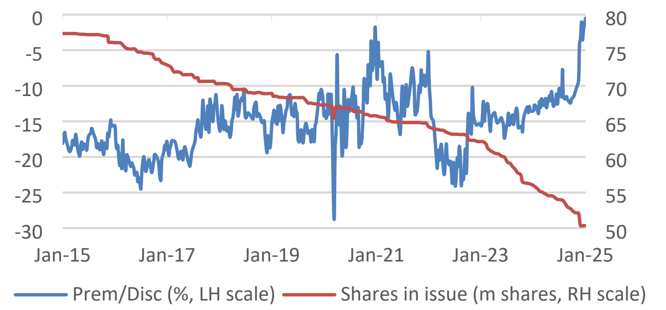
Herald Investment Trust

Saba shareholding: 23.5%, market cap: £1,241m

NAV total return vs. Investec performance comparator (base = 100)

Source: Refinitiv

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

NB: Herald does not have a benchmark but quotes the Deutsche Numis Smaller Companies plus AIM and Russell 2000 Technology indices. In their letter to shareholders, Saba chose to focus on performance against the Russell 2000 Technology index. Our performance comparator is a composite consisting of 75% Deutsche Numis Smaller Companies plus AIM / 25% Russell 2000 Technology (Herald's 10-year average North American weighting is 24.2%). We would note that the average cash position over the past 10 years has been 9.3%.

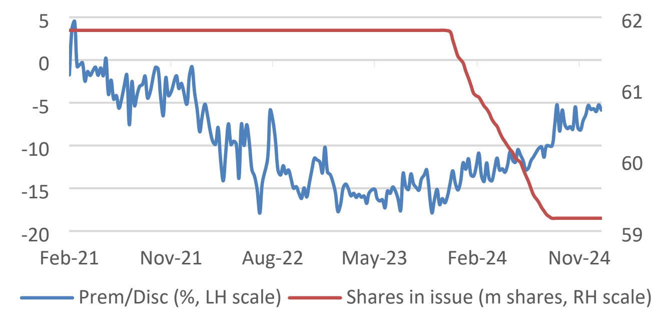
Keystone Positive Change Investment Trust

Saba shareholding - 29.7%, market cap - £149m

NAV total return vs. benchmark (base = 100)

Source: Refinitiv

Rating (%) vs. shares in issue (m shares)



Source: Refinitiv

NB: Charts are from the date of appointment of Baillie Gifford

Continued overleaf

Appendix

Our key messages to the investment company industry in October 2023 were:

- After an extended period of strong performance and significant fund-raising, we are now enduring a perfect storm, perhaps the most challenging that we have encountered, having covered the industry since the early 1990s. End-of-cycle challenges have been compounded by exceptional events, and we fear this storm may be some way from passing. Too many self-inflicted wounds are not helpful.
- Many of these challenges will prove cyclical and the industry has a good track record of Darwinism, i.e., the strongest survive (and thrive) and the weakest depart, but there are structural issues that need to be addressed.
- Costs disclosure regime – the industry's slow reaction to the imposition of an ill-fitting regulatory framework, and its underestimation of the latter's impact, has been disappointing. It is critical that there is a favourable resolution here.
- On this matter, we continue to work with a small group of industry participants to find a solution. Although we share the AIC's objective in achieving the best outcome for the industry, to be candid, our views on how this can be achieved are not aligned. We support the introduction of a framework that incorporates the full disclosure of costs without the double counting that is a feature of the current regime.
- With discounts approaching multi-year highs and blood in the water, it is inevitable that this will attract both arbitrageurs and corporate buyers. Discounts seem to be getting entrenched. Boards need to be proactive in addressing issues, or activists will take matters into their own hands.
- We need to move the debate on regarding share buybacks. It is disappointing when the potential benefits of buybacks are dismissed out of hand; in this climate, this stance is not without risk. Ultimately, companies may find that they end up having to retire a much greater amount of capital.
- It is critical that Boards formulate effective capital allocation policies (repurchase shares vs. repay debt vs. make new investments), and a clear articulation of these would be instructive.
- Strong corporate governance should be a core, differentiating feature of investment companies. However, too many are falling short of the high standards that we would expect.
- We have to stop shooting ourselves in the foot – there must be greater accountability from Boards, managers, and brokers, and we must not take investors for granted. Those companies that fail to lock in best practice and remain relevant should close.

Extract from Warren Buffett's 1984 Shareholder Letter

While we enjoy a low tax charge on these proportionate redemptions, and have participated in several of them, we view such repurchases as at least equally favorable for shareholders who do not sell. When companies with outstanding businesses and comfortable financial positions find their shares selling far below intrinsic value in the marketplace, no alternative action can benefit shareholders as surely as repurchases.

(Our endorsement of repurchases is limited to those dictated by price/value relationships and does not extend to the "greenmail" repurchase - a practice we find odious and repugnant. In these transactions, two parties achieve their personal ends by exploitation of an innocent and unconsulted third party. The players are: (1) the "shareholder" extortionist who, even before the ink on his stock certificate dries, delivers his "your-money-or-your-life" message to managers; (2) the corporate insiders who quickly seek peace at any price - as long as the price is paid by someone else; and (3) the shareholders whose money is used by (2) to make (1) go away. As the dust settles, the mugging, transient shareholder gives his speech on "free enterprise", the muggee management gives its speech on "the best interests of the company", and the innocent shareholder standing by mutely funds the payoff.)

Investec

Disclosures

Third party research disclosures

This report has been produced by a non-member affiliate of Investec Securities (US) LLC and is being distributed as third-party research by Investec Securities (US) LLC in the United States. In the United States, this report is not intended for use by or distribution to entities that do not meet the definition of a Major US Institutional Investor, as defined under SEC Rule 15a-6, or an Institutional Investor, as defined under FINRA rule 4512 (c), or for use by or distribution to any individuals who are citizens or residents of the United States.

Investec Securities (US) LLC accepts responsibility for the issuance of this report when distributed in the United States to entities who meet the definition of a US Major Institutional Investor or an Institutional Investor.

Investec Europe Limited distribute this report to European Economic Area clients as third party research under relevant regulations.

Analyst certification

Each research analyst responsible for the content of this research report, in whole or in part, and who is named herein, attests that the views expressed in this research report accurately reflect his or her personal views about the subject securities or issuers. Furthermore, no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this research report.

SEC Regulation Best Interest

If you are a United States "retail investor," as defined by the Securities and Exchange Commission ("SEC") Regulation Best Interest, please click here to download SEC Form CRS for important information before you invest.

Managing conflicts

Investec has investment banking relationships with a number of companies covered by our Research department. In addition we may seek an investment banking relationship with companies referred to in this research. As a result investors should be aware that the firm may have a conflict of interest which could be considered to have the potential to affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Research recommendations framework

Investec Equities bases its investment ratings on a stock's expected total return (ETR) over the next 12 months (with total return defined as the expected percentage change in price plus the projected dividend yield). Our rating bands take account of differences in costs of capital, risk premia and required rates of return in the various markets that we cover. Our rating systems for issuers are based on the frameworks set out in the tables below.

Stock ratings for European/Hong Kong stocks — Stock ratings for research produced by Investec Bank plc

	Expected total return	All stocks		Corporate stocks	
	12m performance	Count	% of total	Count	% of total
Buy	greater than 10%	263	78%	96	37%
Hold	0% to 10%	57	17%	1	2%
Sell	less than 0%	17	5%	0	0%

Source: Investec Equities estimates

Stock ratings for Indian stocks — Stock ratings for research produced by Investec Bank plc

	Expected total return	All stocks		Corporate stocks	
	12m performance	Count	% of total	Count	% of total
Buy	greater than 15%	160	56%	0	0%
Hold	5% to 15%	74	26%	0	0%
Sell	less than 5%	54	19%	0	0%

Source: Investec Equities estimates

Stock ratings for African* stocks — Stock ratings for research produced by Investec Securities Limited

	Expected total return	All stocks		Corporate stocks	
	12m performance	Count	% of total	Count	% of total
Buy	greater than 15%	44	58%	11	25%
Hold	5% to 15%	23	30%	8	35%
Sell	less than 5%	9	12%	0	0%

Source: Investec Equities estimates

*For African countries excluding South Africa, ratings are based on the 12m implied US dollar expected total return (ETR). This is derived from the expected local currency (LCY) ETR by making assumptions on the 12month forward exchange rates for the respective currencies. For South African stocks, ratings are based on the ETR in rand terms.

For European and Hong Kong stocks, within the Hold banding, an Add rating may be (optionally) applied if the analyst is positive on the stock and the ETR is greater than 5%; a Reduce rating may be (optionally) applied if the analyst is negative on the stock and the ETR is less than 5%.

Not rated (N/R) is applied to any stock where we have no formal rating and price target. Under Review (U/R) can be applied to an analyst's rating, price target and/or forecasts for a limited time period and indicates that new information is available that has not yet been fully digested by the analyst. We regularly review ratings across our coverage universe as we seek to ensure price targets and ratings remain aligned. However, during periods of market, sector or stock volatility, we may allow minor deviations from our recommendation framework to persist on a temporary basis to avoid a high frequency of rating changes arising from rapid share price movements.

The subject company may have been given access to a pre-published version of this report (with recommendation and price target redacted) to verify factual information only.

Investec Equities research contains target prices and recommendations which are prepared on a 12 month time horizon, and therefore may not reflect the different circumstances, objectives and investment time horizons of those who receive it. Investors should therefore independently evaluate whether the investment(s) discussed is (are) appropriate for their specific needs. In addition, the analysts named in this report may from time to time discuss with our clients, including Investec salespersons and traders, or may discuss in this report, trading strategies that reference near term catalysts or events which they believe may have an impact in the shorter term on the market price of securities discussed in this report. These trading strategies may be directionally counter to the analyst's published target price and recommendation for such issuers.

For price target bases, risks to the achievement of our price targets and for full disclosures, including any company mentioned herein, please visit: http://researchpdf.investec.co.uk/Documents/WDisc.pdf

Investec may act as a liquidity provider or as a systematic internaliser in the securities of the subject company/companies included in this report.

Our policy on managing actual or potential conflicts of interest in the United Kingdom can be found at:
https://www.investec.co.uk/legal/uk/conflicts-of-interest.html

Our policy on managing actual or potential conflicts of interest in South Africa can be found at:
http://www.investec.co.za/legal/sa/conflicts-of-interest.html

Company disclosures

Investec has received compensation from the company for investment banking and/or brokerage services within the past 12 months. abrdn European Logistics Income, Alliance Trust, Baillie Gifford Japan Trust, Baillie Gifford US Growth Trust, BlackRock Smaller Companies Trust, Caledonia Investments, Cordiant Digital Infrastructure, Edinburgh Investment Trust, GCP Asset Backed Income Fund, HBM Healthcare Investments, HICL Infrastructure, Impax Environmental Markets, Invesco Asia Trust, JPMorgan Global Core Real Assets, JPMorgan Japanese, Middlefield Canadian Income, Monks Investment Trust, Murray Income Trust, Pacific Assets, Pantheon Infrastructure, Pantheon International, Patria Private Equity, Polar Capital Global Financial Trust, Ruffer Investment Company, Scottish Oriental Smaller Companies, Smithson Investment Trust, Strategic Equity Capital, The Renewables Infrastructure Group, Triple Point Social Housing REIT

Investec expects to receive or intends to seek compensation from the company for investment banking services. abrdn European Logistics Income, Alliance Trust, Baillie Gifford Japan Trust, BlackRock Smaller Companies Trust, Cordiant Digital Infrastructure, Edinburgh Investment Trust, HBM Healthcare Investments, HICL Infrastructure, Invesco Asia Trust, JPMorgan Global Core Real Assets, JPMorgan Japanese, Middlefield Canadian Income, Monks Investment Trust, Murray Income Trust, Pacific Assets, Pantheon Infrastructure, Pantheon International, Patria Private Equity, Ruffer Investment Company, Scottish Oriental Smaller Companies, The Renewables Infrastructure Group

Investec makes a market in the securities of the company. 3i Infrastructure, Aberforth Smaller Companies, abrdn Asian Income, abrdn Diversified Income & Growth, abrdn European Logistics Income, Abrdn Property Income Trust, Alliance Trust, Allianz Technology Trust, Ashoka India Equity Investment Trust, Asia Dragon Trust, AVI Global Trust, Baillie Gifford China Growth Trust, Baillie Gifford European Growth Trust, Baillie Gifford Japan Trust, Baillie Gifford US Growth Trust, BB Healthcare Trust, BBGI Global Infrastructure, BH Macro, BioPharma Credit, Biotech Growth Trust, BlackRock Smaller Companies Trust, BlackRock Throgmorton Trust, BlackRock World Mining Trust, Bluefield Solar Income Fund, Caledonia Investments, Capital Gearing Trust, City of London Investment Trust, Cordiant Digital Infrastructure, Custodian REIT, CVC Credit Partners European Opportunities, Digital 9 Infrastructure, Diverse Income Trust, Edinburgh Investment Trust, Edinburgh Worldwide Investment Trust, Empiric Student Property, EP Global Opportunities, European Opportunities Trust, F&C investment Trust, Fair Oaks Income Limited Realisation, Fidelity Asian Values, Fidelity China Special Situations, Fidelity European Trust, Fidelity Special Values, Finsbury Growth & Income Trust, Foresight Environmental Infrastructure Limited, Foresight Solar Fund, GCP Infrastructure Investments, Gore Street Energy Storage Fund, Greencoat Renewables, Greencoat UK Wind, Gresham House Energy Storage Fund, HarbourVest Global Private Equity, Harmony Energy Income Trust, Herald Investment Trust, HgCapital Trust, HICL Infrastructure, Impax Environmental Markets, International Public Partnerships, Invesco Asia Trust, JPMorgan American, JPMorgan European Growth & Income, JPMorgan Global Core Real Assets, JPMorgan Global Emerging Income, JPMorgan Indian, JPMorgan Japanese, JPMorgan US Smallers, Jupiter Green, Jupiter US Smallers, Keystone Investment Trust, Law Debenture Corporation, Lowland, Martin Currie Global Portfolio, Mercantile Investment Trust, Middlefield Canadian Income, Monks Investment Trust, Montanaro European Smallers, Montanaro UK Smallers, Murray Income Trust, Murray International, NB Private Equity, NextEnergy Solar Fund, North American Income Trust, Octopus Renewables Infrastructure Trust, Odyssean Investment Trust, Pacific Assets, Pacific Horizon, Pantheon Infrastructure, Pantheon International, Patria Private Equity, Pershing Square Holdings, Personal Assets Trust, Polar Capital Global Financial Trust, Polar Capital Global Healthcare, Polar Capital Technology, Princess Private Equity, RIT Capital Partners, Ruffer Investment Company, Schiehallion Fund Ltd, Schroder Asia Total Return, Schroder Capital Global Innovation Trust, Schroder Japan Growth, Schroder Oriental Income, Scottish Mortgage Investment Trust, Scottish Oriental Smaller Companies, Securities Trust of Scotland, Sequoia Economic Infrastructure, Smithson Investment Trust, Standard Life UK Smaller Companies, Strategic Equity Capital, STS Global Income & Growth Trust, Target Healthcare REIT, Temple Bar Investment Trust, The Renewables Infrastructure Group, Triple Point Social Housing REIT, TwentyFour Income Fund, VH Global Sustainable Energy Opportunities, Worldwide Healthcare Trust

Investec holds more than 1% of common equity securities in the company. EP Global Opportunities, JPMorgan Global Core Real Assets, Keystone Investment Trust

Investec is broker and/or advisor and/or sponsor to the company. abrdn European Logistics Income, Alliance Trust, Baillie Gifford Japan Trust, BlackRock Smaller Companies Trust, Cordiant Digital Infrastructure, Edinburgh Investment Trust, HBM Healthcare Investments, HICL Infrastructure, Invesco Asia Trust, JPMorgan Global Core Real Assets, JPMorgan Japanese, Middlefield Canadian Income, Monks Investment Trust, Murray Income Trust, Pacific Assets, Pantheon Infrastructure, Pantheon International, Patria Private Equity, Ruffer Investment Company, Scottish Oriental Smaller Companies, The Renewables Infrastructure Group

Investec holds a net long position in excess of 0.5% of the total issued share capital of the company. EP Global Opportunities, JPMorgan Global Core Real Assets, Keystone Investment Trust

The sales person has a holding in the company. Aberforth Smaller Companies, Caledonia Investments, F&C investment Trust, Fidelity China Special Situations, Fidelity Special Values, HgCapital Trust, RIT Capital Partners, Scottish Mortgage Investment Trust, Strategic Equity Capital

Investec

Investec Equities:

In the United Kingdom refers to Investec Equities a division of Investec Bank plc.

Investec Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

Registered in England No. 489604

Registered Office Address:
30 Gresham Street London EC2V 7QP

In the EEA refers Investec Europe Limited trading as Investec Europe and is regulated by the Central Bank of Ireland. Registration No. 222173.

Registered Office Address:
The Harcourt Building, Harcourt Street, Dublin 2, Ireland

In South Africa refers to:

Investec Bank Limited an authorised financial services provider and a member of the JSE.

Registered in South Africa No. 1969/004763/06

Investec Markets (Pty) Limited an authorised financial services provider and a member of the JSE.

Registered in South Africa No. 2018/243092/07

Registered Office Address:
100 Grayston Drive
Sandown, Sandton
2196, South Africa

In India refers to Investec Capital Services (India) Private Limited, engaged in businesses of equities, corporate finance and private credit and which is registered with the Securities and Exchange Board of India , the Capital Market regulator in India as a (i) Research Analyst with registration number INH000000263; (ii) Category-I Merchant Banker with registration number INM000011971; and (iii) Stock Broker with registration number INZ000007138.

Registered Office Address:
Investec Capital Services (India) Private Limited
Parinee Crescenzo, C 38 & 39, "G" Block,
11th flr , B Wing , Unit No 1103 & 1104
Bandra Kurla Complex, Mumbai - 400 051, India

In Singapore refers to Investec Singapore Pte. Ltd. an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder. Registration No. 201634931E

Registered Office Address:
71, Robinson Road
#14-113
Singapore 068895

In the United States refers to Investec Securities (US) LLC.

Registered Office Address:
10 East 53rd Street, 22nd Floor
New York, NY 10022

Further details of Investec office locations, including postal addresses and telephone contact details:
https://www.investec.com/en_gb/welcome-to-investec/contact-us.html

Analyst(s)

Alan Brierley
+44 (0)20 7597 5201
alan.brierley@investec.co.uk

Ben Newell
+44 (0)20 7597 4522
ben.newell@investec.co.uk

Important Disclaimer – please read

For the purposes of this disclaimer, "Investec Equities" shall mean: (i) Investec Bank plc ("IBP"); (ii) Investec Bank Limited ("IBL"); (iii) Investec Markets (Pty) Limited ("IML"); (iv) Investec Capital Services (India) Private Limited; (v) Investec Singapore Pte. Ltd ("ISPL"); (vi) Investec Europe Limited; and (vii) Investec Securities (US) LLC and from time to time, in relation to any of the forgoing entities, the ultimate holding company of that entity, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. "Investec Affiliates" shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec Equities. This research report has been issued solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto.

This research may have been issued to you by one entity within Investec Equities in the fulfilment of another Investec Equities entity's agreement to do so. In doing so, the entity providing the research is in no way acting as agent of the entity with whom you have any such agreement and in no way is standing as principal or a party to that arrangement. The information in this report has been compiled by Investec Equities from sources believed to be reliable, but neither Investec Equities nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this research report and the report itself is subject to change without notice.

This research report as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information concerning the subject of the research and/or its group companies (including subsidiaries): its accuracy cannot be guaranteed. Investec Equities has no obligation to update, modify or amend this research report or to otherwise notify a recipient thereof if an opinion, forecast or estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the analyst or the Head of Research and reports may be published at irregular intervals. Investec Equities (or its directors, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of any company or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such securities or financial instruments. Directors of Investec Equities may also be directors of any of the companies mentioned in this report. Investec Equities may from time to time provide or solicit investment banking, underwriting or other financial services to, for or from any company referred to herein. Investec Equities (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec Equities may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This report does not contain advice. Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this report. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec Equities or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this research report and each entity within Investec Equities (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this research report generally. This report may contain hyperlinks to independent third-party websites. Investec and its affiliates (including Investec Securities (US) LLC) do not have any influence or control over the content of these third-party sites or any information contained therein. The content contained within these sites is maintained exclusively by independent third-parties.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933, and may not be offered or sold in the United States of America or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. US entities that are interested in trading securities listed in this report should contact a US registered broker dealer.

This report and the distribution of this report do not constitute an offer or an invitation to offer to the Hong Kong or Singaporean public to acquire, dispose of, subscribe for or underwrite any securities or related financial instruments. Neither this research report nor the information contained in it is intended to be an offer to any person, or to induce or attempt to induce any person to enter into or to offer to enter into any agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. Any failure to comply with such restrictions may constitute a violation of United States securities laws or the laws of any such other jurisdiction.

For readers of this report in: **South Africa**: this report is produced by IBL an authorised financial services provider and a member of the JSE Limited. **Europe Economic Area**: this report is distributed by Investec Europe Limited, an investment firm authorised by the Central Bank of Ireland, this report may only be distributed to professional clients and eligible counterparties as defined in MiFID II and is not intended for retail clients. **United Kingdom**: this report is produced by IBP and was prepared by the analyst named in this report. IBP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This report may only be issued to professional clients, eligible counterparties and investment professionals, as described in S19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 and is not intended for retail clients. **Hong Kong**: this report is distributed in Hong Kong by Lazarus Asset Management Limited, a Securities and Futures Commission licensed corporation (Central Entity Number CE BJK894) and is intended for distribution to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only. This report is personal to the recipient and any unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited. **India:** this report is issued by Investec Capital Services (India) Private Limited which is registered with the Securities and Exchange Board of India. Investec Capital Services (India) Private Limited had received an administrative warning letter from SEBI in 2020 pursuant to inspection carried out by SEBI for the year 2018-2019. **Singapore**: This report is produced by IBP and issued and distributed in Singapore through Investec Singapore Pte. Ltd., an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder. This material is intended only for, and may be issued and distributed in Singapore only to accredited investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 ("SFA"). This material is not intended to be issued or distributed to any retail or other investors. ISPL may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Singapore recipients of this document should contact ISPL at the above address in respect of any matters arising from, or in connection with, this report. **Canada**: this report is issued by IBP, and may only be issued to persons in Canada who are able to be categorised as a "permitted client" under National Instrument 31-103 Registration Requirements and Exemptions or to any other person to whom this report may be lawfully directed. This report may not be relied upon by any person other than the intended recipient.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec Equities. Securities referred to in this research report may not be eligible for sale in those jurisdictions where an entity within Investec Equities is not authorised or permitted by local law to do so. In the event that you contact any representative of Investec Equities in connection with receipt of this research, including any analyst, you should be advised that this disclaimer applies to any conversation or correspondence that occurs as a result, which is also engaged in by Investec Equities and any relevant Investec Affiliate solely for the purposes of providing general information only. Any subsequent business you choose to transact shall be subject to the relevant terms thereof. We may monitor e-mail traffic data and the content of email. Calls may be monitored and recorded. Investec Equities does not allow the redistribution of this report to non-professional investors or persons outside the jurisdictions referred to above and Investec Equities cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof.