

Menhaden Capital PLC



Menhaden

Information as at 31 August 2015

www.menhadencapital.com

Investment Objective

Menhaden Capital PLC (the "Company") seeks to generate long-term shareholder returns, predominantly in the form of capital growth, by investing in businesses and opportunities, irrespective of their size, location or stage of development, delivering or benefiting from the efficient use of energy and resources. Whilst the intention is to pursue an active, non-benchmarked total return strategy, the Company will be cognisant of the positioning of its portfolio against the MSCI World Index (Total Return, Sterling adjusted).

Commentary

Menhaden Capital PLC listed on 31 July 2015, and has issued a total of 80,000,001 Ordinary Shares, for total gross proceeds of £80 million. The share price was 100p and the opening Net Asset Value ("NAV"), after all costs associated with the launch, was £78.1 million, or 97.7p per share.

During the month of August the Company's NAV declined 3.6% to £75.3 million, or 94.1p per share while during the same period the MSCI World Index (Total Return, Sterling adjusted), was down 4.9%. We could not avoid being caught by the widespread volatility in markets throughout August. This volatility and the substantial sell off in global markets has been attributed to a variety of factors, including concerns as to declining economic growth in China, worries about the impact of a potential interest rate hike by the US Federal Reserve and fading confidence in projected global economic growth. The low levels of liquidity typical of August further amplified the market moves.

At the start of August we allocated £30 million to a concentrated portfolio of fifteen mid and large cap global equities, managed in conjunction with the highly rated WHEB listed equities team. We hold these stocks with high conviction, and with a long-term perspective. This portfolio (down 4.9% for the month) underperformed its benchmark by 0.4%, almost entirely due to a weak contribution from Canadian Solar (down 23%). Canadian Solar reported good numbers for the previous quarter, with both revenues and earnings per share coming in above consensus forecasts. However, there are concerns around the company's ability to achieve its plan to launch a "YieldCo" structure, into which it will sell down operating assets from its own balance sheet. Moreover, the whole solar sector has suffered in recent weeks due to volatile and declining fossil fuel prices.

We aim to build up an allocation of around 30% to a handful of operating renewable energy infrastructure assets for the purpose of deriving long term cash yields which are not closely correlated to equity markets. While we continue to assess unquoted opportunities, we have established positions in two high quality publicly quoted renewable energy YieldCos: £5 million in Terraform Power, with assets in developed global markets such as the US and Canada, which produces a forecast yield to us of circa 5.5%, and £2.5 million in Terraform Global, with assets in high growth emerging markets (notably China, Brazil, India and South Africa), which provides a forecast yield to us of circa 10%. These positions were caught up in August's difficult market conditions and ended the month down 4.6%. We believe the market is significantly undervaluing these and other similar companies, and that this provides us with an excellent opportunity to capture significant yield for our investors, while retaining the benefits of liquidity that listed investments bring.

At the IPO we acquired, for shares, interests in two private equity funds managed by WHEB Capital Partners. These funds specialise in backing established, fast growing energy and resource efficiency technology companies across Europe. Due to the sell-off in publicly traded comparables, and downgraded revenue forecasts in the case of two portfolio companies, the NAV of the first of these two funds was marked down in the last quarter, such that our holding in those two funds (the second of which was written up during the period) is down 7.9% versus our cost on a mark-to-market basis.

Biographies

Graham Thomas is the non-executive chairman of the investment committee of Menhaden. Before founding Menhaden Capital Management LLP ('Menhaden'), Graham chaired RIT Capital Partners plc's Executive Committee, was a member of its investment committee and had direct responsibility for its private investments. Prior to his roles with RIT Capital Partners plc, Graham was the head of the Standard Bank Group's US\$3 billion Principal Investment Management division, which was established in 2008 under his leadership. He joined Standard Bank from MidOcean Partners in London, where he was a founding partner. Before joining DB Capital Partners (MidOcean Partners' predecessor) in 2001, he was an Executive Director in the Investment Banking Division of Goldman Sachs & Co, having joined Goldman Sachs in 1993. Graham is currently a non-executive director of Tamar Energy and Lesmoir-Gordon, Boyle & Co, and is on the investment committee of Apis Partners, a private equity firm.

Ben Goldsmith is the Chief Executive Officer of Menhaden. Before founding Menhaden with Alexander Vavalidis and Graham Thomas, Ben co-founded the WHEB group, one of Europe's leading energy and resource-focused fund investment businesses. Ben is a director of Cavamont Holdings, the Goldsmith family's investment holding vehicle, and also chairs its Family Committee. Ben also chairs the UK Conservative Environment Network, a group which has a preference for decentralised, market orientated solutions to environmental and resource issues.

Alexander Vavalidis is an investment manager at Menhaden. Before founding Menhaden with Ben Goldsmith and Graham Thomas, Alexander worked at Manzanita Capital, a private equity firm founded by the Fisher family in London focusing on the prestige beauty industry. Before Manzanita Capital, Alexander worked in New York for the Financial Sponsors group at Credit Suisse and for the Illiquids Group at Dresdner Kleinwort in London. Alexander holds an MA in Natural Sciences from Oxford University and an MBA from Harvard Business School.

Portfolio Manager Profile

The portfolio management services for which the AIFM has overall responsibility are carried out by the Investment Committee, comprising Graham Thomas, Ben Goldsmith and Alexander Vavalidis, who have been seconded to the AIFM for the purpose of performing such activities.

Investment Policy

The Company's investment objective is pursued through constructing a conviction-driven portfolio consisting primarily of direct holdings across asset classes, either listed or unlisted, and geographies. The Company invests, either directly or through external funds, in a portfolio that is comprised of three main allocations: listed equity; yield assets; and, special situations. The flexibility to invest across asset classes affords the Company two main benefits: 1) It enables construction of a portfolio based on an assessment of market cycles; and, 2) It enables investment in all opportunities which benefit from the investment theme. Once substantially invested, it is expected the portfolio will comprise approximately 20 to 25 positions. Typically, the portfolio will not comprise fewer than 20 positions or more than 50 positions. For these purposes, an investment in an external fund is treated as one position.

The portfolio will be predominantly focused on investments in developed markets, though if opportunities that present an attractive risk and reward profile are available in emerging markets then these may also be pursued. While many of the companies forming the portfolio will be headquartered in the UK, USA or Europe, it should be noted that many of those companies will be global in nature so their reporting currency may not reflect their actual geographic or currency exposures. Subject at all times to any applicable investment restrictions contained in the Listing Rules, the Company will not make an investment if it would cause a breach of any of the following limits at the point of investment: 1) no more than 20% of the Company's gross assets may be invested, directly or indirectly through external funds, in the securities of any single entity; and, 2) no more than 20% of the Company's gross assets may be invested in a single external fund.

Menhaden Capital PLC conducts its affairs so that its shares can be recommended by independent financial advisers ("IFAs") to retail private investors. The shares are excluded from the Financial Conduct Authority's ("FCA's") restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust.

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10 Largest Holdings at 31 Aug 2015 (% of total investments)

Name	Total
WHEB Ventures Private Equity Fund 2LP	11.7
Terraform Power	6.3
WHEB Ventures Private Equity Fund 3LP	3.7
Terraform Global	3.1
Acuity Brands	3.1
Roper Technologies	3.0
Rockwell Automation	2.9
Ecolab	2.9
Wabtec	2.9
Praxair	2.8
Total	42.4

Asset Allocation Breakdown as at 31 Aug 2015 (%)

Asset	Total
Listed Equity	37.6
Cash	37.5
Special Situations	15.5
Yield	9.4
Total	100.0

Source: All portfolio information sourced from Frostrow Capital LLP

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Fast Facts

As at 31 Aug 2015

Launch Date	31 July 2015
Annual Management Fee	(payable by the Company) Portfolio Management Fee 1.25% p/a on first £150m of AUM, 1.0% thereafter; AIFM Fee 0.225% p/a up to £150m, 0.20% p/a thereafter up to £500m, 0.175% in excess of £500m.
Performance fee	See Prospectus for details
Ongoing charges*	Expected to be 2.1%
Continuation Vote	At AGM in 2020; every 5 years
Year / Half Year	December / June
Capital Structure	80,000,001 Ordinary Shares of 1p

Trust Characteristics

Number of Holdings	19
Total Net Assets (£m)	£75.3m
Market Capitalisation (£m)	£81.8m
Dividend Policy	Target 2% per annum dividend yield once the Company's assets are substantially invested
Gearing (AIC basis)	0%
Leverage Gross & Commitment	0%
Share Price (p)	102.25
NAV (p)	94.1
(Discount) / Premium	8.7%

Codes

Sedol	BZ0XWDO
ISIN	GB00BZ0XWDO4
Bloomberg	MHN LN
Epic	MHN

*Calculated at the financial year-end, includes management fees and all other operating expenses, excludes performance fees.

Important Information

Menhaden Capital PLC (the "Company") is a UK investment trust listed on the London Stock Exchange. As this Company may implement a gearing policy, investors should be aware that the share price movement may be more volatile than movements in the price of underlying investments. Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. Changes in the rates of exchange between currencies may cause the value of investments to fluctuate. Fluctuation in the share price may be particularly marked and the value of an investment may fall suddenly and substantially. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over time. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Investment trust share prices may not fully reflect underlying net asset values. There may be a difference between the prices at which you may purchase ("the offer price") or sell ("the bid price") a share on the stock market which is known as "bid-offer" or "dealing" spread. Net Asset Value per share is calculated in accordance with the guidelines of the Association of Investment Companies in that income received in the period since the last annual accounts is excluded. Total net assets are stated inclusive of income received. Any opinions on individual stocks are those of the Company's Investment Committee and no reliance should be given on any such views. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of Frostrow Capital LLP and no assurances are made as to their accuracy.

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