

Menhaden Capital PLC



Menhaden

Information as at 30 November 2015

www.menhaden.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).

10 Largest Holdings at 30 November 2015 (% of total investments)

Name	Total
WHEB Ventures Private Equity Fund 2 LP	13.5
Osmosis World Resources Efficiency	8.3
Roper Technologies	4.2
Acuity Brands	3.8
Ecolab	3.7
AO Smith	3.5
Praxair	3.5
Rockwell Automation	3.3
Terraform Power	3.1
Canadian Solar	3.0
Total	49.9

Commentary

During November the Company's NAV decreased 12.5% to £65 million, or 81.3p per share.

November was a difficult month for alternative energy companies globally, and Menhaden's portfolio suffered with this. As we approach the end of our first calendar year and our first four months of operation, we thought it worthwhile to recap why we created Menhaden, what our aims are, and to outline the progress we have made building our portfolio since our launch on 31st July.

The purpose of Menhaden is to apply a patient yet opportunistic investment approach to a series of global energy and resources-linked megatrends – 'the green industrial shift'. We are building a concentrated portfolio, with a long-term perspective, comprising both listed and privately held investments. With unique access to ideas and opportunities, we are particularly focused on identifying dislocations in market pricing that allow us to buy at low valuations relative to underlying assets and cash flows.

The world is undergoing a rapid and large-scale transition to the much more efficient use of energy and other resources, across sectors. Some of the world's longest-established, greatest companies now derive a significant and growing proportion of their revenues from the technology and services that deliver these efficiency gains, and these markets consistently seem to grow faster than the consensus expectation. We have established a portfolio of 13 high quality global businesses that lead the way in such markets as LED lighting (Acuity Brands), building energy efficiency (Kingspan, A.O. Smith, Nibe Industrier), cleaner, more efficient transportation (Borg Warner, Johnson Matthey, Wabtec, Shimano) and waste recycling (Stericycle). We have also allocated to the Osmosis MoRe efficiency fund, which (at low cost to us) provides exposure to companies who are less resource intensive per unit of revenue than their sector peers. The efficiency part of our portfolio has performed well since launch, with a total return of 4.1%.

Global renewable energy index trackers have declined on average 16% since our launch in July – and it is in this category that we are suffering losses. The accelerating adoption of renewable energy globally could hardly be more exciting. National renewable energy plans almost everywhere are increasingly ambitious, and governments are creating the regulatory and fiscal environment to ensure that they are achieved. Furthermore, as the cost of equipment tumbles, especially of solar photovoltaic panels, there is a fast-growing list of

Portfolio Manager Profile

Menhaden Capital PLC has appointed Frostrow Capital LLP as its Alternative Investment Fund Manager ('AIFM'). 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.

Biographies

Graham Thomas is the non-executive chairman of the Investment Committee. 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.

Investment Policy

The Company's investment objective is pursued through constructing a conviction-driven portfolio consisting primarily of direct listed and unlisted holdings across different asset classes 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.

situations and places in which renewables are the cheapest option for power generation. Yet market forecasters have consistently underestimated the rise of renewable energy. In our view the most interesting investment opportunities are to be found downstream, amongst the beneficiaries of falling prices, those deploying equipment in new projects, and in the operating assets themselves. Investors have been badly burnt upstream, by investing in a string of manufacturers unable to compete with vast government-backed competitors in China, with immense economies of scale and more of an eye on volumes and job creation than on margins. With the exception of Canadian Solar a manufacturer which is also a developer and operator of projects that are built using its panels, we have focused our investments downstream (China Longyuan Power, Infigen Energy, SunEdison, Terraform Power and Terraform Global). In addition, we hope to complete our first private investment shortly, alongside a leading global private equity firm, in a high quality private solar asset developer and operator.

SunEdison is a leading developer of renewable energy projects, with a focus on solar and wind. We have held SunEdison shares since September. Our thesis revolves around the notion that scale and operational excellence count for everything in these fast-growing markets, and that SunEdison, as a global leader, is well placed to grow substantially. SunEdison has been under considerable pressure in recent weeks, on concerns over the rapid pace at which the business has grown, including several recent acquisitions, and the significant leverage the business has taken on. These factors set against the backdrop of the broader renewable energy sell-off and an ownership base largely consisting of short-term-focused hedge funds have led to a tumbling share price during November. We have gone back over our original investment thesis and we remain believers in SunEdison and in the underlying value of its projects. However, we are not alone in thinking that management could do better to manage the complexity of the business model, both operationally and in terms of capital allocation, and in their communications with shareholders.

Much simpler than SunEdison are its two associated 'yieldcos' that buy (largely from SunEdison) and operate solar and wind assets. The yieldcos operate these assets for the purpose of delivering yield to shareholders. We have spent a significant amount of time on both Terraform Power (TERP), which owns only US assets, and Terraform Global (GLBL), with a developing markets focus and have been shareholders since September. Like the parent company, SunEdison, both Terraforms have suffered substantial share price falls in recent weeks, to the extent that TERP can now be bought at a price well below replacement value, and on a cash yield of more than 15%. During the month of November we added to our TERP position.

In November we suffered a disappointment with our holding in Abengoa's senior bonds. The Spanish infrastructure group filed for creditor protection making a restructuring unavoidable. Abengoa, a family controlled business, which constructs and operates infrastructure projects, has a highly levered financial profile. As the company has used up working capital on a growing pipeline of new business, the capital markets have become closed to it, with impending debt maturities looming. Creditor banks committed to support a rights issue in October but after an additional equity investor fell away they withdrew, and there is not enough support from those same banks to cover the cash burn and the upcoming wall of maturing debt. Following the announcement there has been a knee-jerk reaction by markets and prices have fallen to the worst case scenario, in our view. Estimates on the recovery price vary significantly at this stage, however the range will vary between a 'going concern' recovery and a 'liquidation of assets' recovery. We believe that the most likely outcome is that the business continues as a going concern. Therefore we plan on holding our position for the time being.

We believe our investment process is robust and we remain confident about the long term outlook for our portfolio despite the short-term volatility and underperformance, particularly over the last month.

Geographic & Asset Allocation Breakdown as at 30 November 2015 (%)

Region	Total
US	38.8
Unquoted UK LPs	16.5
Global	8.3
Europe	7.8
Asia	6.5
UK	2.9
Emerging Markets	2.2
Cash	17.0
Total	100.0

Asset type	Total
Listed Equity	58.8
Special Situations	18.9
Cash	17.0
Yield	5.3
Total	100.0

Source: All portfolio information sourced from Frostrow Capital LLP

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Fast Facts

As at 30 November 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	25
Total Net Assets (£m)	£65.0m
Market Capitalisation (£m)	£72.8m
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)	91.00
NAV (p)	81.26
Premium / (Discount)	12.0%

Codes

Sedol	BZ0XWDO
ISIN	GB00BZ0XWDO4
Bloomberg	MHN LN
Epic	MHN

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

Important Information

This financial promotion is issued by Frostrow Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA"). 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.