Investment Trust Newsletter

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November certainly brought its share of bangs and fizzes for the investment trust sector and for the wider market. Early in the month the FTSE 100 Index approached the 10,000 mark before falling back along with US technology stocks that trade at vertiginous valuations. There was then the small matter of Rachel Reeves' much-anticipated Budget, which had been weighing heavily on the market for weeks as a depressing source of newsflow and uncertainty. While investors tried to process that macro backdrop, a raft of trust-specific developments also fuelled the flames, with Smithson Investment Trust (SSON, 1580p) preparing to leave the sector; HICL Infrastructure (HICL, 115.6p) and The Renewables Investment Group (TRIG, 70.9p) proposing a merger that was not received well by shareholders and quickly abandoned; and Edinburgh Worldwide (EWI, 201.5p) under renewed threat from Saba Capital. As usual, we will squeeze in all of the news as well as our numerous manager meetings over these busy last few weeks.

Major Price Changes Over One Month

JPMorgan Emerging EMEA Securities	+24.31%
Castelnau Group	+19.35%
UIL Limited	+14.97%
Gresham House Energy Storage Fund	+13.60%
RTW Biotech Opportunities	+12.20%
Symphony International Holdings	+9.81%
Polar Capital Global Healthcare	+8.76%
CT UK High Income 'B'	+8.29%
Worldwide Healthcare Trust	+7.98%
BlackRock World Mining Trust	+7.84%
Hydrogen Capital Growth	-47.77%
3i Group	-30.86%
Digital 9 Infrastructure	-27.18%
Crystal Amber Fund	-20.86%
Manchester & London	-15.53%

Major Price Changes Over One Year

Golden Prospect Precious Metals	+125.79%
DP Aircraft 1	+120.00%
Marwyn Value Investors	+73.49%
JPMorgan Emerging EMEA Securities	+64.30%
CQS Natural Resources Growth & Inc	+62.06%
UIL Limited	+61.83%
Gresham House Energy Storage Fund	+61.45%
Fidelity Emerging Markets	+51.50%
Fidelity China Special Situations	+51.13%
Schroders Capital Global Innovation	+48.21%
Digital 9 Infrastructure	-59.40%
Ecofin US Renewables Infrastructure	-49.14%
Hydrogen Capital Growth	-43.85%
Aquila European Renewables	-38.45%
JPMorgan US Smaller Companies	-25.05%

£25m market capitalisation filter applied. Source: QuotedData.

We should begin by covering the three big stories coming from the sector in November. The first, on 12th November, was a set of proposals from **Smithson Investment Trust** (SSON, 1580p), a large and prominent trust in the sector with net assets of around £1.75bn. This trust came to the market with huge fanfare in late 2018, raising a record £822.5m from its IPO, trading initially at a premium, and certainly in hot demand. The trust started well with its strategy to invest in global mid-cap and smaller companies, and investors liked its approach to buy well established high-quality companies with the intention to hold them for the long-term. SSON's first three years were very good, and then it began to underperform as its investing style fell out of favour. In the calendar year 2022 the trust underperformed badly, stabilised in 2023, but then lagged again in 2024 and in 2025 to date. And we live in a world of impatience and relentless scrutiny that is unforgiving of such periods of underperformance, even though the trust's annual return of 7.9% per annum since launch is ahead of the 5.5% return from its benchmark. The rating of the trust deteriorated, so the board tried large-scale buybacks to the tune of almost a billion pounds, but the discount continued to persist, averaging just over 10% in the year to the start of November. Spurred perhaps by this discount stickiness and undoubtedly by the 16.1% stake held by the arbitrageur Saba Capital, SSON's board has decided to throw in the towel for its investment trust structure and convert into an open-ended fund. A full cash exit will also be offered to shareholders who wish to leave. The scheme is expected to be completed by March 2026, and in the meantime the trust's share price discount has narrowed to 3.8%.

A number of observations follow. Our first one is that this news seems much more significant than many of the smaller corporate actions we have seen over recent months. Smithson was one of the largest twenty trusts in existence, a flagship for the sector, so for it to abandon the investment trust structure is a blow and a concerning precedent. What is notable here is that the trust does not really take advantage of any of the structural benefits of investment trusts – SSON is a fairly basic equity portfolio without any illiquid assets, no gearing, no great need for revenue reserves to support the dividend, not any suggestion that the independent board might change the managers. Against that backdrop we can see that investors may actually be better served by an open-ended structure that removes discount volatility. Unlike the majority of winding-up situations where we suggest taking the cash, our view is that patient investors who like the managers' approach can accept the rollover and stick with it. Without the involvement of Saba, we doubt whether any corporate action would have been precipitated here, and their large stake, worth around £270m, shows how much capital and how much clout they have now. This looks like a great result for Saba and will only serve to encourage them to look for more opportunities.

Finally, we note with sadness that SSON has continued the terrible tradition of record IPO launches ending in disappointment. This trust follows Woodford Patient Capital Trust, Amerindo Internet Fund, Mercury European Privatisation, and Kleinwort European Privatisation as examples of overexuberance and fund-raising that took in too much capital at the wrong moments. The possible exceptions here are **Fidelity China Special Situations** (FCSS, 308.5p), which started very badly under the management of Anthony Bolton but has since found its way and is now well-established as a solid performer, and actually our choice in its sector; and **BioPharma Credit** (BPCR, US$0.907), which raised US$762m in March 2017 and has been a solid performer since if you look at the total return including its high dividends. Returning to SSON, we do not see any need for shareholders to take any action now – we think you can HOLD the shares until these plans progress.

Five days after the news from Smithson came another big announcement, this time from **HICL Infrastructure** (HICL, 115.6p) and **The Renewables Infrastructure Group** (TRIG, 70.9p) to say they planned to merge to form one huge infrastructure trust with £5.3bn of assets. Right from the start, analysts voiced doubts about the rationale for the two trusts to join together, suggesting that it suited TRIG much better than HICL and that it perhaps made more sense for the managers (Redwheel manages both trusts) than for shareholders. Some shareholders reacted with vocal and public criticism that quickly gathered momentum, and on 1st December the whole idea was abandoned after HICL said it was unable to rely on substantial majority support from its shareholders. Whether or not this casts further doubt on the desirability of owning renewable energy assets remains to be seen, but this was an unhappy episode for all concerned.

The Baillie Gifford trust **Edinburgh Worldwide** (EWI, 201.5p) is being targeted for a second time by the arbitrageur Saba Capital, which is intending to requisition another general meeting to change the entire board of the trust. You may remember that EWI was one of the seven trusts initially chosen by Saba last December when it tried to wrest control and designate itself as the manager. This time Saba has published an open letter of criticism that uses an odd benchmark for comparison, and we think EWI's recent performance has been pretty good – actually very strong in the last six months. The discount is narrow too, at 4.9%, so we cannot see the logic in Saba's attack. Once again though it may be up to retail shareholders to make sure they vote against the proposals, as and when they arrive. We think Saba will probably still make a pitch, despite a subsequent announcement from EWI that it is considering a merger with **Baillie Gifford US Growth** (USA, 278.25p) that would include a 40% cash exit option. Saba has rejected the proposed merger for now, effectively blocking it with its large stake. We'll see how this develops.

Separately, we note that Saba has also taken a 5% stake in the private equity trust **Pantheon International** (PIN, 367p), and raised its large stakes in both **Brown Advisory US Smaller Companies** (BASC, 1340p) and **BlackRock Throgmorton** (THRG, 613.5p). We also doubt whether Saba will be happy to have so much of its money tied up in **Herald Investment Trust** (HRI, 2365p) for very much longer. On a 12.2% discount we think the trust could be vulnerable to another corporate initiative, and we do suspect that Saba may be readying itself for another high-profile seasonal multi-trust campaign. This may be a subject for us to return to next month.

JPMORGAN EMERGING MARKETS GROWTH & INCOME (JMGI, 134.4p)

In line with the re-branding of its investment trust line, JPMorgan has changed the name and ticker code for what was JPMorgan Emerging Markets, one of the largest global emerging markets trusts with assets of £1.4bn. The board has also introduced an 'enhanced' dividend, so it seemed like an opportune time for an update from John Citron, who manages the trust with Austin Forey. According to the annual fund manager poll conducted by the Association of Investment Companies, emerging markets are predicted to be the best performing region next year, selected by more than a third of respondents.

First, let's get that change out of the way. In common with a number of other trusts that have decided they must pay a reasonable income to investors even if their primary investing aim is to generate capital growth, JMGI's new policy is to pay out 4% of NAV each year as a quarterly dividend that will be paid partly out of capital. The idea is that this gives investors what they want, and that it allows a broader range of investors to buy the shares, thereby supporting the market rating. There is some truth in that, but it does reduce long-term capital returns and smacks of financial engineering to us – we think it is a policy designed more to meet the needs of wealth managers rather than private investors. It also reduces the differentiation between this trust and **JPMorgan Global Emerging Markets Income** (JEMI, 166.25p), which has a more genuinely income-focused strategy. We don't like this change and feel that some investors may be misled into thinking that JMGI has a more balanced approach than is actually the case. The natural dividend yield of the portfolio is more like 2%.

The trust has around 50 high quality businesses in its portfolio overall, structured with a concentration in the top 25 holdings that make up around 75% of the portfolio and another 25 that represent interesting ideas. The trust's long-term record is good, but it has struggled in the near-term with two consecutive years of underperformance, only the second time in 29 years this has happened. John says that emerging markets have actually performed well in absolute terms since the recovery from the 'Liberation Day' shock in the spring. AI enthusiasm has helped markets like Korea, Taiwan and China, and there have been second-order effects in areas like commodities. JMGI has not quite kept pace with the markets though, hampered by an underweight position in Korea and also by laggards in IT services. Infosys has been disappointing, although John remains confident about the resilience of its complex services in the face of threats from AI. Tariffs have also hurt certain export holdings such as Techtronic Industries and KIA Corporation.

In common with many other emerging markets trusts, the largest positions include TSMC, Tencent, Samsung Electronics, and MercadoLibre. One other large holding, and less well known, is SK Hynix, an enabler of AI. It makes high bandwidth memory and is enjoying exponential growth during this boom in capital expenditure. It has doubled in value since purchase but is still only priced on 8x earnings. Information technology is the largest sector weighting in the portfolio, at 33.5%, followed by financials and banks, which is fairly structural. John says that the country weightings just reflect where companies happen to be headquartered (including BBVA in Spain), but the largest positions here are in China, Taiwan, India, South Korea, Hong Kong, and Brazil.

John is feeling quite positive about the outlook and says there are some coiled springs in the IT services space. He also favours financials and expects a weaker US dollar to provide room for lower interest rates in emerging markets. Overall, he sees "plenty of good bottom-up stories in emerging markets." He has just returned from South Korea, where he was investigating the corporate reform 'value up' policy that has been boosting shareholder capitalism.

It was useful to catch up with developments at this trust, which does not generate too much in the way of news. The quality bias in the portfolio has been a drag on returns over the last couple of years, and that makes it difficult to pick JMGI as the sector choice at present. Our preferences for mainstream emerging markets trusts are currently Fidelity Emerging Markets (FEML, 1001.5p) and Templeton Emerging Markets (TEM, 232.5p), both of which have provided much better returns over the last three years.

BLACKROCK FRONTIERS INVESTMENT TRUST (BRFI, 177.25p)

It has been a little while since we have written anything substantive about BRFI, although we have followed it since its launch in 2010 and recommended it periodically. It is a unique trust that truly offers something different to investors, making equity investments in second-tier emerging markets as diverse as Saudi Arabia, Turkey, Poland, Kazakhstan, Hungary, Kenya, Bangladesh, Egypt, Chile, and others. It can be complementary to standard emerging market trusts. The managers, Sam Vecht and Emily Fletcher, are part of a team that has been remarkably consistent since inception, and we caught up with Sam a couple of weeks ago for an update.

For the purposes of performance measurement BRFI is categorised with the other global emerging markets trusts, and stands up very well in this company. The trust's 88.6%

NAV total return over five years is ahead of all peers and it also stands up well over ten years. The trust is coming up to an important date in the first quarter of next year, when its five-yearly tender mechanism rolls around, for the third time in its life. On the first occasion in 2016 the trust raised money on balance, and in 2021 it saw only 4% redeemed, so it will be hopeful of a similarly positive outcome this time around. Sam maintains the trust is by nature a steady performer that does not chase momentum of thematic fashions, so it is less subject to big swings in demand. His approach is very much about finding good companies, wherever they happen to be, so the trust does not get fixated on any particular countries or sectors. At the present time the top exposures happen to be to Saudi Arabia, UAE, Turkey, and Poland, but the investments shift as opportunities change. Generally, frontier markets look as cheap as they have been for a long time, certainly when compared to elevated valuations in the US. The trust calculates the forward P/E ratio for its portfolio to be around 9x earnings compared to 22x for the MSCI World Index. And as Sam has explained many times before – actually every time we have talked about this trust - this cheapness is accompanied by surprisingly low volatility. The lack of correlation between different frontier markets around the world means that a portfolio combining different markets is much less risky than most investors would assume.

Much of the return for the trust comes through dividends, even though it is not explicitly an income fund, and it pays a generally covered dividend running at US$0.0965 per year, equal to a dividend yield of 4.2%. This helps to keep the discount in check – it is currently 3.7% and has averaged 5.3% over the last twelve months, giving some comfort that it should not flare out again dramatically once the next redemption opportunity has passed. That is a possibility though, so perhaps something to watch out for if you are a tactical investor.

Sam describes BRFI as a "no-story" trust without any particular themes or narrative or stylistic bias – it is simply about finding companies that can do well based on their earnings and cashflow in benign macroeconomic environments. The strategy is definitely bottom-up, but with a macro overlay – it is really impossible to ignore domestic currency movements and broader geopolitical factors in these markets, and Sam said for example that the trust has been in and out of Turkey several times over the years. There is a fairly broad universe of perhaps 400 investable companies, and the idea of the trust is to provide diversified exposure, so successful investments are trimmed to keep the process disciplined – this is not a trust where the performance will be driven by one large winner.

We were not expecting anything new from our discussion with Sam – that is really the point here, that BRFI has been successfully executing its strategy, capturing alpha in frontier markets, since its launch in December 2010 and is intent on maintaining the same approach going forward. We doubt whether the trust will suffer widescale redemptions next year but think the process will be worth watching in case it throws up any pricing anomalies. The outlook looks decent, we would suggest, with attractive valuations and good scope for interest rate reductions next year to help drive company earnings in frontier markets.

ROCKWOOD STRATEGIC (RKW, 283p)

We already know that Rockwood Strategic, the smaller companies trust run by Richard Staveley at Harwood Capital, has been a fantastic performer over the last three years. Its star has risen, the trust has acquired plenty of followers along the way, and the market capitalisation of the trust has risen from £37m when we first met Richard in late 2022 to £140m now. This trust is another example of how smaller specialist trusts can prosper in the right conditions. RKW's latest interim results, for the six months to 30th September, continued its strong run with a NAV total return of 12.5%, broadly in line with sector indices. Over three years the trust has outperformed by a wide margin, returning 93.9%. This track record Is acknowledged by the market and the trust's shares trade on a narrow discount of 2.3% that reflects Richard's following and reputation.

Richard's approach is to create a concentrated portfolio of around 25 holdings in UK smaller companies under £250m of market capitalisation, where he can either see or help to create catalysts for change. He is one of the managers operating independently at Harwood Capital, alongside Harwood founder Christopher Mills who manages **Oryx International Growth** (OIG, 1240p) and Stuart Widdowson who manages **Odyssean Investment Trust** (OIT, 167p). Richard says Harwood is one of the leading small cap teams in the UK and describes the working environment as "a cauldron of ideas." This is the only portfolio that Richard manages, and his personal stake is very evident when listening to him speak with enormous enthusiasm about his portfolio companies. He owns about 1% of the trust's shares, and Chris Mills owns another 16%.

Purely for context, Richard draws some sharp contrasts between RKW and the US stock market, explaining that while half of the companies that the trust holds are on a discount to their book value, the S&P 500 Index trades on an average of 5x price-to-book value; similarly the price-to-sales ratio is 0.9x for RKW and nearly 8x for the S&P. He is making the point that fears about overvaluations in one part of the equity market need not reflect the opportunity set in another part. His view is that UK mid and small cap valuations remain depressed, and he says allocations from UK pension funds and wealth managers "really are on their knees." For Richard, cheapness is a good ingredient, if not a catalyst, and he is reasonably positive, expecting interest rate cuts to help the sector in 2026.

His approach is really about bottom-up stockpicking though, looking specifically at cashflows from proven businesses, with a recovery mindset. He believes that companies go through repeatable cycles of decline and recovery, creating opportunities for value investors to benefit from periods of renewal. The Rockwood portfolio is a mix of AIM and main market stocks, the largest holdings being RM, Capita, Vanquis Banking, Trifast, Capital Limited, Funding Circle, M&C Saatchi, Filtronic, James Fisher & Sons, and Mercia Asset Management. Richard pronounces himself "very happy" with these holdings and says that apart from M&C Saatchi they are all on track with their investment theses and for major shareholder value creation that is "going to power the portfolio through 2026." A number of them have key catalysts coming up shortly, Richard added. He spoke at length about each of the holdings, providing his usual enthusiastic and detailed run-through of the value drivers. We think that happy RKW shareholders should continue to HOLD the shares. There was nothing in this update to cause us concern, and we think the trust is a great example of smaller trusts suitable for private investors to gain well-managed access to specialist market sectors.

SERAPHIM SPACE INVESTMENT TRUST (SSIT, 77.9p)

For investors looking for share price action, something completely unique, a way to play the European defence theme, or something with a very long runway for growth, SSIT is becoming harder to ignore. We wrote about the trust's final results last month that included a revaluation of portfolio company ICEYE, and we had the chance to catch up with manager Mark Boggett in person to discuss all of the latest developments.

For shareholders who bought in at the IPO in July 2021 it has been a wild ride in share price terms. An initial surge of enthusiasm that took the price to a peak of 132.6p was followed by a savage decline to a low of 26p in mid-2023 before an impressive recovery back up to 90p in the summer and 77.9p now. This volatility has largely reflected the market's shifting desire to hold risk assets and its changing valuation of potential future revenue flows – SSIT was not alone in the derating that also hit the rest of the growth capital sector. Now the narrative, or at least the market's appreciation of it, has shuffled towards the European defence revenues being directed towards space, all part of the journey that SSIT describes as "science fiction to science fact."

The write-up of ICEYE's valuation for the final results took the net asset value up to 118.5p per share, and this edged higher again to 119.6p in the first quarter of the trust's financial year, helped by a currency tailwind. Interestingly, the value of ICEYE dropped slightly in Q1, compensated for by an increase in the value of another holding, Hawkeye 360. In our meeting Mark was keen to emphasise that SSIT is not all about its largest holding ICEYE, and he talked about several other holdings that are also in prime positions in their sub-sectors, including Xona Space Systems, which offers a much more accurate and secure GPS signal. There are numerous applications for such technology, both for defence and for a wide range of commercial purposes. Mark says the industry is still at a very early stage, with money still flowing in, and that the boost from greater European defence spending provides considerable momentum. The shift from reliance on the US is massive, he says, and he points towards a change in sentiment in the willingness of governments to engage with smaller, early-stage companies as well as the established behemoths of the defence industry. He makes the point that many contracts are sensitive in nature and are not announced to the market, and also that those revenues take time to be recognised and to flow through into accounts. Mark told us that the new UK National Armaments Director, Rupert Pearce, is a former venture capital executive who also worked for Inmarsat. For the moment, defence spending is the primary story here, although in the future Mark believes that commercial revenues will eventually become more important.

Seraphim looks very well placed to make the most of the opportunities in the space industry, with one caveat. The management team is experienced and well-resourced, and Mark reckons they see 75% of all of the deals in the space industry. They have a good overview and understand the competitive space. The issue for us is the trust's discount rating, which is an obvious frustration for the manager. If this does not improve and allow SSIT to raise further capital, there is a chance the investment trust may miss out on future developments. We think there would be a case here for the trust to raise new money at a small discount if the rationale was sufficiently strong, but for now we think SSIT has to keep delivering proof of concept in the form of more valuation increases. It is certainly one to watch, and we think that for younger investors in particular this can be a LONG-TERM HOLD.

NEWS ROUND-UP

Following the QuotedData awards last month we have two more sets of annual industry awards on which to report. In early November the Citywire Investment Trust Awards 2025 dispensed 18 performance awards to trusts with the best risk-adjusted returns in their categories in the three years to 31st August. Let's run through the names, starting with **Aberdeen Asia Focus** (AAS, 361.5p) for AsiaPacific and **Ashoka India Equity** (AIE, 273p) for best emerging markets single-country trust. For Europe the winner was **European Smaller Companies Trust** (ESCT, 210p), for global emerging markets it was **Templeton Emerging Markets** (TEM, 232.5p), and for global equities it was **Manchester & London** (MNL, 790p). **Invesco Global Equity Income** (IGET, 364p) scooped the prize for international income. In Japan, the prize went to **Nippon Active Value Fund** (NAVF, 210.5p), and for North America the winner was **JPMorgan American** (JAM, 1133p). In the specialist equities category, **Golden Prospect Precious Metals** (GPM, 87p) took the award. In the UK section, **Fidelity Special Values** (FSV, 402p) won the award for best all companies trust, **Temple Bar** (TMPL, 371.75p) for best equity income trust, and **Rockwood Strategic** (RKW, 283p) for best smaller companies trust. **Personal Assets Trust** (PNL, 543p) was the best global multi-asset trust, **3i Infrastructure** (3IN, 365.5p) the best infrastructure trust, and **3i Group** (III, 2973p) the best private equity trust. Moving on to property, **Target Healthcare REIT** (THRL, 96.75p) picked up the prize for best property specialist, and **AEW UK REIT** (AEWU, 108.7p) for best UK property trust. The award for the best specialist debt trust went to **CVC Income & Growth** (CVCG, 117.25p).

At the 27th annual Investment Week Investment Company of the Year Awards, which are based on NAV returns over the three years to 30th June (always making them curiously out of date), prizes were awarded to trusts across 18 sectors. Starting this time in the UK, **Fidelity Special Values** (FSV, 402p), **Temple Bar** (TMPL, 371.75p), and **Rockwood Strategic** (RKW, 283p) took the prizes for all companies, income, and smaller companies respectively. For the Asia Pacific region, the winner was **Schroder Asian Total Return Investment Company** (ATR, 558p), and for Europe it was **JPMorgan European Growth & Income** (JEGI, 135.25p). The best global trust was judged to be **F&C Investment Trust** (FCIT, 1228p). For global income the award went to **Invesco Global Equity Income** (IGET, 364p), and for overseas smaller companies to **Nippon Active Value Fund** (NAVF, 210.5p). **Templeton Emerging Markets** (TEM, 232.5p) won the global emerging markets category, with **Ashoka India Equity** (AIE, 273p) and **JPMorgan Japanese** (JFJ, 719p) taking the awards for best single country trusts in the emerging and developed sectors. In the flexible sector, **Majedie Investments** (MAJE, 262p) scooped the prize. Moving on to private equity and growth capital, the award went to **ICG Enterprise** (ICGT, 1537p). **CVC Income & Growth** (CVCG, 117.25p) was the best debt trust, **TR Property** (TRY, 326p) best for property, and **Cordiant Digital Infrastructure** (CORD, 103p) the winner for infrastructure. The best specialist trust was judged to be **Golden Prospect Precious Metals** (GPM, 87p), and finally for technology the award went to **Allianz Technology Trust** (ATT, 521p).

3i Group (III, 2973p) has long traded on a big premium to NAV that looks totally at odds with the rest of the private equity sector, based on its superb long-term performance and the prospects for the European discount retailer called Action that really drives its results. Action accounted for 76% of the trust's private equity portfolio at the end of March, so this explains why it had such a big impact when 3i announced in its half-yearly results that Action had hit a spell of 'softer' performance. 3i Group shares were really priced for perfection on a 52% premium to NAV at the start of November, and this disappointment had a severe impact on the share price, sending it down by 25% straight away and more since, despite heavy director buying. This, sadly, provides another example of why it can be a high-risk approach to buy trusts on significant premium ratings, as we have seen before with **Lindsell Train** (LTI, 686p, now on a 23.5% discount). 3i shares still trade on a 0.9% premium, but we can imagine its next results will be very closely scrutinised for news of trading at Action over the crucial Christmas period.

By way of contrast, we have liked and recommended **3i Infrastructure** (3IN, 365.5p) for some time, and we have spotted one particular reason to look ahead with optimism. The trust is easily the best performer in the infrastructure sector over five years and has a strong consistent record of delivering good operational results from its portfolio companies. Its largest holding at around 20% of assets is in a company called TCR, which provides ground support services at airports. It is performing well, and we note that 3IN said "its strong performance and its platform value have caught the attention of larger private infrastructure funds." It sounds to us as though the trust may be lining up a sale, and this usually means a significant uplift to carrying value. On a discount of 10.6% we think 3IN shares are fairly valued in the market, but we think they are a good holding for investors wanting to diversify away from general equity market risk, and we would look to ADD TO HOLDINGS if the shares have any moments of weakness and drop back towards 350p.

We had foreseen some sort of change coming for **Bellevue Healthcare Trust** (BBH, 136.7p), and it arrived just as the last newsletter went to press. Not surprisingly, the board decided on a new direction and is proposing to appoint Columbia Threadneedle as the new managers to pursue a new mandate. This is in effect an IPO, or the closest we are likely to get to one for now. CT's strategy looks highly distinctive and will be based on an existing strategy it deploys, taking a long/short equity approach somewhat akin to a healthcare hedge fund. CT has seen very strong performance from this strategy since it began using it in July 2023, and the rationale makes logical sense. The managers argue that healthcare exhibits a wide dispersion between the winners and losers, hence the aim to capture the asymmetric upside of innovation while actively protecting capital by shorting companies facing structural or clinical headwinds. This sounds interesting, and notably different from other trusts in the sector, so we can see how this trust may be able to carve out a niche for itself. It will be renamed as the CT Healthcare Trust, once approved. We look forward to seeing the new trust in action, but we would also be cautious about backing it for now. The track record for this strategy is short, and we are inclined to treat this new arrival as we would treat any IPO. Taking some time to allow it to settle in and prove itself under close observation seems a sensible approach.

For investors worried about further falls in global equity markets, we think that **BH Macro** (BHMG, 396.5p) is a trust worth examining. The trust is a feeder into the Brevan Howard Master Fund, a hedge fund that pursues a multi-trader model that includes a combination of macro directional and macro relative value strategies. It has historically performed well during times of equity market turbulence, although it can be dull for long periods in between crises. Since inception in 2007, BH Macro has produced 17 positive monthly returns in the 20 worst performing months for equities. It has a low structural correlation to equity or bond markets and could be a good place to park some cash if you worry about a crash in US technology valuations or some other sort of crisis.

We have felt for some time that **Cordiant Digital Infrastructure** (CORD, 103p) has been unfairly tarnished by virtue of being in the same sub-sector as the troubled **Digital 9 Infrastructure** (DGI9, 6p), and its latest set of results reinforced our confidence. The trust's NAV total return for the six months to end-September was 10%, taking the NAV per share up to 140p. There was a significant FX benefit that accounted for nearly half of that gain, but the underlying performance was still satisfactory and ahead of its target return. CORD shares reacted positively, moving back over their original 100p offer price on the news, and we tuned into a update from the chairman Steven Marshall and the chief financial officer Andrew Ewe. CORD's portfolio of communications towers, fibre networks and data centres are benefiting from digital trends and providing a resilient, growing revenue cashflow stream that underpins the trust's 'buy, build and grow' strategy. Steven says there is "more and more demand for the plumbing of the internet." Most assets are in the fast-growing economies of Poland, Ireland, and the Czech Republic, the portfolio is a net beneficiary of inflation, and it has ample liquidity of more than £200m available. The managers are expecting more growth. Steven says the shares are "somewhat undervalued" and that he has continued to invest his own money at "very, very attractive prices." He owns just over 14.3m shares, so no-one can accuse him of not having skin in the game. Notwithstanding the fact that a good chunk of the return over the last quarter came from currency movements, we can see that CORD is on track with its plans and has holdings at the heart of the growth in digital demand, including data centres. A new 26MW data centre is planned for Prague. The trust has a consistent record to date, and we have a positive view on the shares. In our opinion they offer GOOD VALUE on a discount of 28.7% and with a useful and 1.7x covered yield of 4.3%.

Franklin Global Trust (FRGT, 357p) is proposing to merge into **Invesco Global Equity Income** (IGET, 364p) to form a larger trust in the global equity income sector in the new year. This news came as a surprise but we can see it probably makes sense. FRGT is a relatively small trust with only £180m of assets and a lacklustre track record, whereas IGET looks altogether a better proposition with a much better track record, a strong market rating on a premium of 1.6%, and sufficient overlap to make it a sensible enough choice for continuation. FRGT shareholders will also have the option of a full cash exit if so desired, although at present we think it makes sense to opt to roll over into IGET. The scheme will not proceed until new prospectus rules are in place in January.

Shares in **HgCapital Trust** (HGT, 480.5p) have fallen out to a 14.2% discount to NAV compared to the trust's twelve-month average of 5.75%. This de-rating has occurred despite further good news from the trust, which announced exits from its medical imaging software investment Intelerad at a 62% uplift to its carrying value, and from GTreasury at a 97% uplift. The estimated NAV is up to 560p per share. Separately, in a recent interview, HGT chairman Jim Strang expressed considerable confidence that the trust will be able to continue generating the same sort of returns as it has in the past. HGT has a very strong track record and seems deserving of a stronger market rating, in our view – this looks like a GOOD OPPORTUNITY TO BUY a high-quality trust at an attractive entry price.

Hydrogen Capital Trust (HGEN, 13.475p) has announced its delayed results and returned from suspension, but as we suspected there was considerable bad news here for shareholders. The net asset value has been reassessed under the new management regime and knocked right down to 34.2p per share. HGEN shares have resumed trading at a much lower level, but we think it is probably TOO LATE TO SELL now and we would advise holding on in the hope of some decent asset sales closer to that NAV figure.

We are disappointed that **MIGO Opportunities Trust** (MIGO, 368.5p) has decided to stop providing market commentary and top ten portfolio disclosures monthly, and is moving to a quarterly factsheet for that information. We understand that the managers may wish to build positions and engage with boards without making their stakes public, but it is pity for investors wanting greater transparency about what could be significant portfolio shifts. On this topic, we note that we have yet to see any results from **Achilles Investment Company** (AIC, 103.5p), which came to the market in late February. We believe the first statutory reporting date will be for the period to end-December, due by the end of March 2026. For the moment all we have to go on, apart from some requisition disclosures relating to Urban Logistics REIT, is the monthly NAV of 105.6p for the end of October, up by 7.2% over eight months. Whilst the principals involved here, Christopher Mills and Robert Naylor, have a high reputation in their field, it is hard to recommend AIC while we know so little about its activities and its actual investments. Arguably, investors could perhaps have expected more from it during this exceptionally fertile period for investment trust deals, but it is hard to pass judgement at this stage.

Murray Income Trust (MUT, 897p) is making a change to its management arrangements and has decided to appoint Artemis as the new managers in the first quarter of next year. There will be no change to the trust's investment objective to achieve a high and growing income combined with capital growth, primarily through investment in UK equities. **Pacific Assets Trust** (PAC, 365.5p) is also heading towards a potential change of management after the board initiated a strategic review. In this case there seems to have been a breakdown in communication between the board and the existing managers within First Sentier Group, and the trust has also been a very bad laggard in performance terms over the last year, returning -2.8% in NAV total return over twelve months compared to the Asia Pacific sector average of +19.4%. We think shareholders may welcome a change.

Patient shareholders in **Phoenix Spree Deutschland** (PSDL, 169.75p) finally heard some better news on 28th November about the trust's strategy to sell off its Berlin property portfolio piecemeal. Progress has been very slow to date, greatly hampered by covenants on the debt agreements. The good news was that PSDL has been able to refinance all its debt facilities, improving operational flexibility and allowing it to accelerate its asset sales programme. Restrictions on condominium sales and distributions to shareholders have now been lifted. The trust says it plans to start returning capital to shareholders, starting in April next year. PSDL has met its 2025 sales target of €30m and says it remains confident of achieving sales in excess of €55m in 2026. The average notarised price of €4,077 per sqm represents an 11.9% premium to the average value of the entire portfolio of properties on the company's balance sheet and a 3.4% premium to the latest carry values of the buildings from which the units were sold. This looks encouraging, as share redemptions will take place at the sterling equivalent of the latest EPRA NTA per share, which was €3.49 as at 30th June 2025. While we won't know the quantum of the initial capital repayment until April, it is clearly good news that at least some money will be returned at a full NAV that is very much higher than the current share price. PSDL shares perked up marginally on the news, but we think there is a good chance of a much stronger run next year once the capital returns actually start to flow. STRONG HOLD.

We suggested last month that **Polar Capital Global Healthcare** (PCGH, 421p) would not see many shares tendered in the exit opportunity, and in the event the trust saw 22.5% of its equity head for the exit. That means the trust comfortably meets its capitalisation requirement for continuation. We had a follow-up meeting with the trust's co-manager Jamie Douglas, who confirmed there will be no real change in the investment process for this next iteration of the trust. He says the fundamentals of the sector are robust, the FDA is functioning well with similar rates of approvals to last year, and that fears over drug pricing and the impact of tariffs seem to be abating. Greater clarity on pricing in particular is helping investor confidence to grow. The patent cliff faced by large pharmaceutical companies means that M&A is likely to continue in the sector, and Jamie believes that valuations are "on your side" rather than a barrier to investment. The ingredients for success exist, but of course companies have to deliver, as always. PCGH shares have risen by almost 10% since our write-up last month, in line with peers, and we are keeping our positive view on the trust and its prospects.

The interim results from **Scottish Mortgage Trust** (SMT, 1061.75p) for the six months to 30th September were good, showing a NAV total return of 22.9% against 15.4% from the FTSE All-World Index. We still think of SMT as the growth flagship for the sector, and we are pleased to see it performing well. Clearly, its large holdings in the US tech heavyweights Amazon, Meta, and Nvidia have been instrumental, but it would be wrong to think of the trust as a pure US technology trust. SMT defines just over 40% of its portfolio as technology, with large chunks in consumer discretionary, industrials, healthcare and financials. By geography too, the trust is perhaps more diversified than many investors may realise, with only 54% of assets in North America, but 22% in Asia, 17% in Europe, and 6% in South America.

The next issue of Investment Trust Newsletter is published on Saturday 10th January 2026. Our best wishes for a Merry Christmas and a Prosperous New Year to all subscribers.

The FTSE 350 Closed End Investments Index is down 373.48 points (-2.70%) to 13,460.89 since the last newsletter.