High fliers

We reveal our top rated trusts for Income, Growth and Alternative Income in 2026.

Update
13 January 2025

Our investment trust ratings set out to reward those funds that have done the best job of doing what active funds should do: outperform the returns of a passive alternative, whilst doing a better job of managing risk. Strategies will come in and out of favour, but we think if you can identify those funds that deliver alpha when the backdrop is at least reasonably helpful, then with some intelligent portfolio construction and tactical moves, you should be able to do better than sticking it all in Vanguard.

Investment trusts are the ideal vehicle for an active approach. The main advantage is relatively subtle: as managers don't have to worry about inflows or outflows, they can concentrate more fully on portfolio construction. They don't have to keep cash on hand to fund outflows, so can remain more fully invested, and they don't have to worry about having to sell 5% or 10% or more of the portfolio if the mood really shifts. As a result, they can take more risk with less liquid investments. There are other advantages too, not least the ability to take on long-term debt, which should in itself deliver outperformance over the long run.

With these ratings, we aim to reward those trusts which have made the most of these advantages. Whilst they can't be the basis of an investment decision, and investors have to research why a trust has done well and whether the future is likely to deliver conditions that will allow this to continue, we think they could be a starting point for that research. For a full explanation of how we calculate our ratings, see the appendix at the bottom of this article.

2026 Growth rating winners

One of the interesting themes in the list of growth-rating winners for 2026 is the number of trusts with a strong value tilt winning the accolade. Temple Bar (TMPL), Aberforth Smaller Companies (ASL), Fidelity Asian Values (FAS), and Murray International (MYI) stand out in that regard. Our growth/value score uses Morningstar data and ranks trusts within the whole peer group rather than in absolute terms. The scale is -5 (Value) to +5 (Growth). We think it is notable that the scores for these four trusts are well below the most value-tilted scores for the 2025 winners. Japan also figures highly, with three trusts that, to a greater or lesser extent, are explicitly targeting opportunities thrown up by corporate governance reform. This has obviously been a great trend to play in order to generate alpha. Our quality score is on a simple 1 to 10 scale, and it is interesting that the average score for our winners has risen from 5.5 last year to 6.8 this year. Much is written about the difficulties of a quality growth

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approach, but our data suggests it remains an important component of the strategies of the most successful managers in our sector.

Fig.1: 2026 Growth-Rated Funds

	Sector	Growth / Value	Quality
Nippon Active Value	Japanese Smaller Companies		
CC Japan Income & Growth	Japan	1.1	5.8
AVI Japan Opportunity	Japanese Smaller Companies	1.5	10.0
Polar Capital Glb Healthcare	Biotechnology & Healthcare	2.1	7.7
Aberdeen Asia Focus PLC	Asia Pacific Smaller Companies	1.8	7.0
Ashoka India Equity Investment	India/Indian Subcontinent	5.7	7.3
CQS Natural Resources G&I	Commodities & Natural Resources	1.9	9.0
JPMorgan Global Emerg Mkts Inc	Global Emerging Markets	-2.9	5.9
BlackRock Energy and Resources Inc	Commodities & Natural Resources	-1.1	6.2
Aberforth Smaller Companies	UK Smaller Companies	-4.2	
Temple Bar	UK Equity Income	-4.6	6.1
Strategic Equity Capital	UK Smaller Companies	-0.6	
VietNam Holding	Country Specialist	-2.6	
Pershing Square Holdings	North America		5.2
Fidelity Asian Values	Asia Pacific Smaller Companies	-4.2	7.5
Murray International	Global Equity Income	-4.3	3.9
TR Property	Property Securities	-4.6	6.1
Schroder Asian Total Return Inv. Company	Asia Pacific	1.8	6.8
The European Smaller Companies Trust PLC	European Smaller Companies	-0.4	7.5
India Capital Growth	India/Indian Subcontinent	3.8	

Source: Morningstar, Kepler calculations; Absence of scores indicates lack of Morningstar data

2026 Income-rating winners

Our income-rated funds for 2026 include trusts investing in multiple overseas markets, showing that whilst income investors might tend to have a

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home bias, this is not for want of strong opportunities in the investment trust sector. In particular, the Asia equity income funds have scored very well, and as the dividend culture continues to grow in Asia, we see the argument for allocating more here. Notably, the quality score for these trusts is very close on average to that of the growth trusts, at 6.2. We have noted in the past that the most successful equity income or income and growth strategies have often tended to have a strong quality component to their strategy to counteract any danger of drifting into value traps. This year also sees two bond funds winning an income rating: **Invesco Bond Income Plus (BIPS)** and CVC Income & Growth (CVCG). We have reorganised our ratings to bring publicly-traded bond portfolios within the income rating, and reserve the alternative income rating for trusts owning private assets.

Fig.2: 2026 Income-Rated Funds

	Sector	Growth / Value	Quality
Schroder Japan Trust	Japan	0.0	7.4
Utilico Emerging Markets	Global Emerging Markets	-0.4	4.3
JPMorgan European Growth & Income	Europe	-0.3	5.2
Invesco Bond Income Plus	Debt - Loans & Bonds		
Invesco Global Equity Income Trust	Global Equity Income	1.2	5.4
International Biotechnology	Biotechnology & Healthcare	0.4	
BlackRock Frontiers	Global Emerging Markets	-2.9	7.8
Diverse Income Trust	UK Equity Income	-2.6	7.5
Invesco Asia Dragon Trust	Asia Pacific Equity Income	-1.7	5.5
CVC Income & Growth	Debt - Loans & Bonds		
JPMorgan Global Growth & Income	Global Equity Income	-1.0	4.8
JPMorgan UK Small Cap Growth & Income	UK Smaller Companies	-0.8	
JPMorgan Asia Growth & Income	Asia Pacific Equity Income	0.9	7.6
Schroder Oriental Income	Asia Pacific Equity Income	-2.8	5.7
Law Debenture Corporation	UK Equity Income	-2.4	6.8
North American Income Trust	North America	-4.5	5.2
Schroder UK Mid Cap	UK All Companies	-2.7	5.7
Aberdeen Asian Income Fund Limited	Asia Pacific Equity Income	-2.0	6.1
JPMorgan Claverhouse	UK Equity Income	-2.2	5.5
BlackRock Latin American	Latin America	-1.7	6.8

Source: Morningstar, Kepler calculations; Absence of scores indicates lack of Morningstar data

2026 Alternative income-rating winners

There has been some churn in the winners of the alternative income rating. BB Global Infrastructure (BBGI) was bought out opportunistically by an institutional investor, taking advantage of the wide discount. International Public Partnerships (INPP) has taken its place. We have brought property trusts into this category this year, and Schroder Real Estate (SREI) and AEW UK REIT (AEWU) both made the cut. Some huge yields on this list hint at the real story in this sector, which is to do with share prices and discounts. These discounts will narrow one way or the other in the coming years, and whilst we look only at NAV for these ratings, in some cases, the discount narrowing will be more important than NAV to total returns in the foreseeable future.

Fig.3: 2026 Alternative Income-Rated Funds

	Sector	Yield (%)
Greencoat UK Wind	Renewable Energy Infrastructure	10.4
Schroder Real Estate Invest	Property - UK Commercial	6.7
3i Infrastructure	Infrastructure	3.6
Foresight Environmental Infra	Renewable Energy Infrastructure	11.9
Foresight Solar	Renewable Energy Infrastructure	12.6
International Public Partnerships	Infrastructure	7.1
HICL Infrastructure PLC	Infrastructure	7.2
AEW UK REIT	Property - UK Commercial	7.5

Source: Morningstar, Kepler calculations

2025 Performance

Our intention in making these ratings is to look over a long time frame of five years in order to cover a broad set of markets and avoid rating trusts based on short periods in which luck or circumstances have been helpful. However, it is interesting to look at how last year's rated funds did over the past 12 months. Our growth-rated funds for 2025 delivered strong returns in a good year for markets, with an average return of 18.9% and only three trusts down. However, they did underperform their benchmarks on average by 0.71%. The median underperformance was 3.6%, with five trusts underperforming by double digits. It's worth stressing this is to the best fit benchmarks chosen using regression rather than official benchmarks. In particular, there has to be an asterisk over the figures for BlackRock Frontiers, which has a bespoke benchmark not in Morningstar databases, whilst the two Vietnam trusts may have chosen slightly different benchmarks themselves.

On the other hand, the income-rated funds outperformed by 1.65% on average, with the median outperformance being 2.3%. Absolute performance was a bit stronger on average at 19.7%, and only two trusts were down for the year. The Asian and Emerging Markets funds did particularly well, but **BlackRock World Mining (BRWM)** led the pack with excess returns of 53.7%. In the same sector, CQS Natural Resources Growth & Income delivered the best outperformance of the growth-rated funds, at 72.8%.

12M Performance Of 2025'S Growth-Rated Funds

Investment	Calculation Benchmark	NAV TR	Excess Return
CQS Natural Resources G&I	Morningstar Gbl Upstm Nat Res NR	92.8	72.8
BlackRock Energy and Resources Inc	Morningstar Gbl Upstm Nat Res NR	35.5	14
The European Smaller Companies Trust	Morningstar Dev Eur x UK Small TME NR	33.2	8.9
Pacific Horizon	Morningstar Asia x Jpn TME NR	29.9	7.6
Pershing Square Holdings	Morningstar US LM Brd Growth NR	12.8	4.4
Fidelity China Special Situations	Morningstar China TME NR	33.9	4
Schroder Japan Trust	Morningstar Japan TME NR	18.2	2.1
AVI Japan Opportunity	Morningstar Japan Sml NR	14.7	-0.6
Invesco Global Equity Income Trust	Morningstar Gbl High Div Yld NR	13.3	-1.9
JPMorgan American	Morningstar US Large-Mid NR	4.6	-3.6
Strategic Equity Capital	Morningstar UK Small Cap TME NR	11.6	-5
Schroder Asian Total Return Inv. Company	Morningstar APAC x Jpn TME NR	14.2	-5.5
Ashoka India Equity Investment	Morningstar India TME NR	-8.8	-6
Odyssean Investment Trust	Morningstar UK Small Cap TME NR	9.4	-8.4
Fidelity European Trust	Morningstar DM Eur x UK TME NR	16.2	-10.6
Vietnam Enterprise	Vietnam VN Index	16.2	-10.9
BlackRock Frontiers	MSCI Frontier Markets NR	15	-21.3
Pacific Assets	Morningstar Asia x Jpn TME NR	-2.5	-25.1
VietNam Holding	Vietnam VN Index	-1.2	-28.3
Display Group Median		14.7	-3.6
Average		18.9	0.7

Source: Morningstar
Past performance is not a reliable indicator of future results

12M Performance Of 2025'S Income-Rated Funds

Investment	Calculation Benchmark	NAV TR	Excess Return (Cumulative)
BlackRock World Mining Trust	Morningstar Gbl Upstm Nat Res NR	74.2	53.7
Templeton Emerging Mkts Invmt Tr	Morningstar EM TME NR	36.4	14.4
Schroder Oriental Income	MSCI AC Asia Pacific ex Japan HDY NR	27.1	14.1
Aberdeen Asian Income Fund Limited	MSCI AC Asia Pacific ex Japan HDY NR	22.2	11.1
Diverse Income Trust	Morningstar UK Small Cap TME NR	23.5	6.9
JPMorgan European Growth & Income	Morningstar DM Eur x UK TME NR	32.9	6
Law Debenture Corporation	Morningstar UK All Cap TME NR	28.1	5.7
Invesco Asia Dragon Trust	Morningstar Asia x Jpn TME NR	26.5	4
Fidelity Special Values	Morningstar UK All Cap TME NR	26.4	3.1
CC Japan Income & Growth	Morningstar Japan TME NR	18.5	2.3
TR Property	Morningstar DM Eur Real Est NR	12.6	1.4
Utilico Emerging Markets	Morningstar EM TME NR	20.1	-3.1
JPMorgan Global Growth & Income	Morningstar Global TME NR	7.3	-4.8
JPMorgan UK Small Cap Growth & Income	Morningstar UK Small Cap TME NR	8.9	-7.4

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Investment	Calculation Benchmark	NAV TR	Excess Return (Cumulative)
Aberforth Smaller Companies	Morningstar UK Small Cap TME NR	7.9	-10.8
Henderson Smaller Companies	Morningstar UK Small Cap TME NR	5	-12.7
Scottish American	Morningstar UK Adv Tgt Alloc NR	2.5	-13.3
BlackRock Smaller Companies	Morningstar UK Small Cap TME NR	-0.6	-19
Montanaro UK Smaller Companies	Morningstar UK Small Cap TME NR	-4.4	-20.3
Median		20.1	2.3
Average		19.7	1.6

Source: Morningstar
Past performance is not a reliable indicator of future results

Conclusion

We think the shift in our ratings to value is evidence that a regime change is underway. The average style score of our growth-rated funds has a small tilt to value for the first time, whilst some very pronounced value strategies are now on the list. Meanwhile, the funds we rated for income last year, which are inherently more value-tilted, did better than the growth funds over 2025. We highlighted in a **recent article** that there are relatively few trusts with a pronounced tilt to value left in the investment trust sector after a long period that has favoured growth. In particular, the dearth of value strategies in the European sectors may be why only one trust with a European focus has made it onto our lists this year. There's always a possibility that the pendulum may swing back again, but we think persistent inflation, geopolitical tensions, and a high need for infrastructure spending for AI and green energy are all factors that suggest finding good value managers could be the way to go for 2026.

Appendix: Our methodology

To identify the top growth trusts, we start by looking at performance versus the benchmark. For us, the information ratio is the key metric. This looks at the outperformance of a fund versus an appropriate benchmark and then relates this to the extent of divergence from the benchmark or the extra risk taken. In other words, it seeks to identify whether the active risk relative to the benchmark taken by the manager has been rewarded with outperformance. We pick a benchmark using regression to make sure the best comparator is being used. We then look at the performance of a fund in rising markets, for its benchmark, versus its performance in falling markets — the upside/downside capture ratio. We think this has two attractions. The first is that it reflects the 'loss aversion' of the average investor. Behavioural finance teaches us that investors prize avoiding loss more than they do achieving a quantitatively equivalent gain. This is captured by an upside/downside capture ratio above one, which means that the fund has a tendency to avoid losses by a more significant degree than it makes gains in rising markets. The second attraction is that it allows us to consider defensive and aggressive strategies on a more level playing field. A trust that does exceptionally well in rising markets and is level in falling markets could rank the same as a trust that protects very well in falling markets but only keeps up in rising markets.

In order to create fair comparisons between funds, we have divided our universe into 'super sectors' of asset classes: large- and mid-cap equity funds, small-cap funds, fixed income or equivalent funds, and property funds. This is intended to reflect the fact that generating alpha, in particular, is much easier in small-caps, so comparing small-cap managers with large-cap managers is unfair. It also overlooks the risks that small-caps bring, such as volatility and illiquidity, which means that it is not inherently superior to large-cap investing despite the advantages with regard to alpha. We rank trusts within their 'super sector' on all quantitative metrics, and screen out those with a negative information ratio and which are outside the top quartile for upside/downside capture. In order to reward persistence, we review performance over a five-year time period, which makes it much harder for a single year to distort results. We also exclude trusts that have had a management change in the past three years.

It perhaps goes without saying that all our analysis is based on NAV-total-return performance, which reflects the strategy and decisions made by the manager, rather than share price, which can reflect many other factors. As already discussed, we would never envisage such a rating being used on its own to determine investment decisions. Clearly, with investment trusts, the discount of the shares to NAV, the policies, and the quality of the board all need to be considered, too. As importantly, given that quantitative studies are backwards-looking, investors need to make a judgement about the likelihood of past performance patterns persisting in ever-changing markets. By looking over a long time period, we hope to capture a broader set of market conditions, but some trends last for much longer than five years.

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For our income ratings, we start with the screens used for the growth ratings. We then look at current yield and dividend growth over five years. To win the rating, a trust needs to have a 3% yield and 3% per annum dividend growth over the past five years as a minimum, allowing for high-yielding funds and dividend-growth funds to be considered together. Once we have screened out the trusts that don't meet the yield and dividend-growth tests, we order the trusts by their quantitative score on our growth screens, relaxing the info ratio and upside/downside requirements. We apply the same manager tenure screen. We do sense check the quantitative results and will jump in if we think an exception needs to be made, for example, if a benchmark isn't appropriate, but our threshold for doing so is exceptionally high, as our intention is to present the numbers, not our opinions.

We also present an alternative income rating in order to analyse the top performers in this relatively new and rapidly growing space, which can't be analysed in the same way quantitatively because the NAVs are estimated rather than based on market pricing. We think, for the most part, trusts in the infrastructure, renewables, and related sectors are held for a stable and high income, most likely by those living off their income. High yield is likely more important than income growth. We have developed a simple screen showing those trusts that have at least maintained their NAV and their dividend, in nominal terms, over the past five years. With the alternative income space being relatively young, there are not many trusts with a long track record, and just applying these two screens whittles the space down considerably.

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