



# A galaxy of stars

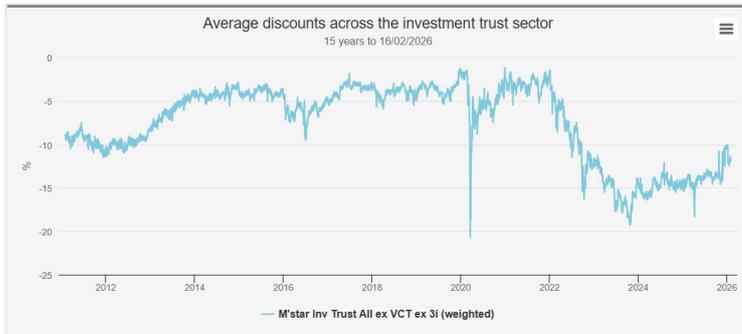
Despite its recent travails, the breadth and diversity of the investment trust universe is staggering.

Update  
03 March 2026

Johannes Kepler mapped the solar system. Kepler has spent the last two decades mapping the investment trust universe. We think doom-mongering about its fortunes is wildly overblown.

It is easy to take a negative view of the investment trust sector nowadays. Three years on from when war was brought to Europe, discounts remain wide. Certainly not as wide as they were, but a far cry from the decade from 2012 to 2022.

Fig.1: Average Discounts



Source: Morningstar

**Past performance is not a reliable indicator of future results**

These discounts have directly attracted arbitrageurs and activists such as Saba, who have spotted an opportunity to benefit from investors’ desire to head for the door. Indirectly, boards feel an ever-greater pressure to ‘do something’ about their discounts. As a result, corporate activity has exploded.

For example, over 2025, cash returned to shareholders via share buybacks, tenders, and liquidations reached a new record high of £22.7bn (according to data from JPMorgan Cazenove, and their data used with thanks), eclipsing even 2024, which saw the previous record set by a significant margin. Half of this capital being returned during 2025 was from redemptions and liquidations, effectively seeing trusts throw in the towel. Yet cash being handed back to investors is only part of the story, given that takeovers and mergers are also occurring at an unrelenting pace.

Looking at the detail behind the numbers, it is interesting that during 2025 all of the takeovers were exclusively trusts invested in alternative assets (REITs in particular have borne the brunt of this), whilst mergers were exclusively conventional equity trusts. Intuitively, this makes sense: mergers of trusts with hard-to-value assets are always likely to be difficult to pull off. But with an illiquid asset, someone offering hard cash today in return

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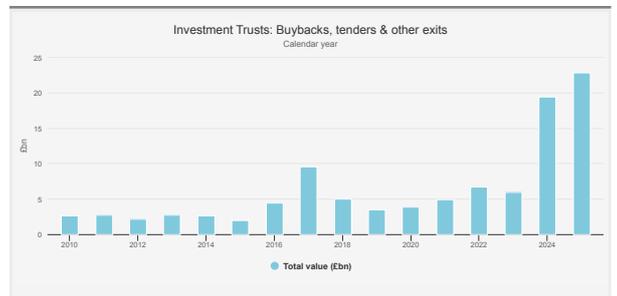


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for assets of an uncertain value, there is always a deal that can be cut. The buyer gets a ready-made portfolio of hard-to-acquire assets, and shareholders can persuade themselves that accepting a price somewhere between the current share price and the NAV is a ‘good deal’.

Fig.2: Cashback



Source: JPMorgan Cazenove

## Murder on the dancefloor

There are still a number of wallflowers left on the edge of the alternatives dancefloor waiting to find a partner. Those trusts which haven’t found a bidder



for the whole portfolio face a managed wind-down, taking the potentially hard and long route of selling assets piecemeal with the aim of returning cash to shareholders. JPMorgan Cazenove research shows that, as at the start of 2026, 42 funds with a combined market cap of £7.6bn (and likely a much higher net asset value) are either in a formal managed wind-down, are under a board-led strategic review, or ‘considering mergers or cash exits’.

For a conventional trust with highly liquid underlying investments, things are rather simpler if the board has decided it has reached the end of the road. In fact, the only thing that beats selling the assets for cash and returning it to investors is a tax-free rollover into a larger, potentially better investment vehicle with a similar mandate. Which is why we have seen so many mergers blossoming.

## A spoonful of sugar makes the medicine go down

All of this corporate activity is clearly to be welcomed. It is part of the sector addressing the cyclical imbalance of supply and demand for investment trust shares, and is a necessary precursor to average discounts narrowing, and the sector being once again in a position to launch new trusts or raise capital through issuing shares. The go-go years leading up to 2022 saw an incredible period of share issuance and new launches, and the hangover from this party was bound to be felt at some point.

Yet at the same time, it’s hard to shrug off the idea that the sector’s woes are not also tied up in the well-publicised travails of the wider LSE, with investor indifference meaning companies listed here not being given the valuations that comparable companies on other exchanges are given. As a result, companies are moving their listings across the pond, takeovers are increasingly commonplace (witness Schroders being taken over recently, the venerable manager of so many investment trusts), and IPOs are vanishingly rare. All part of the tonic? Well, up to a point, but there is a moment when a patient’s tolerance of the medicine means that it becomes no longer a cure, but increasingly an existential threat. Patients can get so weary of treatment that there comes a danger of overdose. The problem is that this danger is only visible to the observer.

## Comfortably numb

The same might be said of the investment trust universe. Investor apathy is a weapon that arbitrageurs and activists are actively targeting. The recent rather tiring déjà vu announcement that Saba is yet again putting forward resolutions for the forthcoming **Edinburgh Worldwide (EWI)** AGM to replace all of the directors is a case in point. Coming only three weeks after investors wholly rejected

their previous identical resolutions put at an EGM, Saba is clearly hoping that shareholder fatigue will mean a lower turnout at this routine vote. Certainly, given they haven’t changed the wording on their resolutions, they can hardly be claiming a new approach or a freshly thought-out set of ideas for shareholders to reconsider as a reason they might change their recently cast vote against Saba.

To rational investors, without any particular axe to grind (or desire to take it over for their own purposes), EWI is a case in point of what investment trusts should be all about. It offers a highly active, differentiated portfolio exposure (in this case, to innovative, early-stage businesses as they grow and begin to dominate industries or develop new ones). As well as listed companies, the trust also invests in private businesses, the most prominent being the trust’s largest holding, SpaceX. As well as using the trust structure to invest in less liquid holdings and hold them for the long term, EWI employs gearing, which is another weapon in a trust’s armoury against open-ended funds. In performance terms, it has had its ups and downs, but unless an investor bought shares during the period from the COVID recovery in mid-2020 to the beginning of 2022, it has done pretty well. This short period of poor performance has to be seen in the context of the 20 years of management by Ballie Gifford, having been awarded the mandate in 2003.

EWI’s highly individual characteristics illustrate an often forgotten point about the investment trust structure. The closed-end structure enables Galapagos-levels of diversity across the sector, especially when compared to the open-ended fund universe, all of which have their hands tied by liquidity constraints and concentration rules. Appreciating and preserving this diversity is crucial for the continued strength of a dynamic and healthy listed fund ecosystem.

Examples abound, including **International Biotechnology (IBT)**, which has long ploughed its furrow, giving non-expert investors exposure to the highly exciting area of biotechnology, enabling them to profit from scientific discoveries without the need for a doctorate in molecular biology. The long-standing team behind the trust have delivered good returns for shareholders, whilst minimising stock-specific risks. Of late, their hit rate on companies being taken over (one of the key drivers of returns in this sector) has been strong, having benefitted from the takeover of five portfolio companies in the 2025 financial year alone. Adding to the attractive nature of the trust’s mandate, IBT has long had a small allocation to private companies within the portfolio, difficult for an open-ended fund to offer, and at times has added explosive growth.

The diversity on offer within more conventional investment arenas can be highlighted by **JPMorgan European Growth & Income (JEGI)**, which offers a strongly performing core-investment exposure in Europe. However, its policy of paying a dividend from capital means that the managers



are free to invest without the constraints of having to fulfil an arbitrary level of income in any one year in order to hit a dividend distribution target. JEGI can thus appeal to income investors who would otherwise be unable to access European equities, but at the same time offers an important role as a diversifier and source of growth in a more traditional income portfolio, which is quite unable to be provided in any structure other than an investment trust.

Keeping on the European theme, **European Smaller Companies (ESCT)** has long used a lot of the tools available to investment trusts for the benefit of shareholders. Firstly, the trust structure supports manager Ollie Beckett's stock picking approach to Europe's small-cap markets, with around half the portfolio in companies below €1bn in market capitalisation. The managers actively employ flexible gearing, which has averaged c. 10% over the last five years, and is adjusted using signals such as how attractive valuations are at any point in time. Finally, the trust recently combined with European Assets (EAT), resulting in total assets of c. £930m, and has adopted a new dividend policy (payable from capital if necessary) which will target a level of 5% of ESCT's NAV at the close of the preceding financial year. Both short- and long-term performance has been impressive: most recently, ESCT has outperformed both its small-cap benchmark and the large-cap equivalent during a period where large caps had all the attention. ESCT is a great example of a large liquid trust using all of the tools at its disposal to deliver a strong result for shareholders, and now made even more attractive by the enhanced dividend policy.

On the subject of dividends, the trust sector is blessed by a group of companies heralded for their remarkably long track records of providing rising dividends, known as the AIC's Dividend Heroes. The pre-eminent AIC Dividend Hero is none other than **City of London Investment Trust (CTY)**, which has delivered an increased dividend to shareholders for approaching 60 years. Aside from the benefit of compounding these increases over time, shareholders can be reassured that any board member of this, or any other Dividend Hero trust, will be thinking twice about any decisions which would cause a blemish on this otherwise perfect record. In other words, they can set a high degree of reliance that their income will rise in progressive years to come.

Less close to home, **Seraphim Space (SSIT)** has experienced something of a second lift-off in terms of discount. Having launched in an explosion of interest and a sustained premium to NAV of 20%, there was a relatively long period when SSIT's star faded, and the discount sank seemingly into deep-space. Yet with a resurgence in appetite for the shares, 2025 saw the trust experience the biggest rerating in the entire trust universe

(enough of this extra-terrestrial verbiage...Ed.). Investors' rekindled interest in the shares appears to have been fully warranted, with recently reported NAV growth very strong of late.

With fixed pools of capital that investors can access without having to subscribe and redeem as they do with a fund, managers can invest for the long term in illiquid investments that they believe the market underappreciates: the very definition of active stock picking. One such trust is **Rockwood Strategic (RKW)**, in which manager Richard Staveley's bottom-up investment process leads to a highly concentrated portfolio of undervalued, micro-cap companies. This concentration, typically between 20 and 25 holdings, enables the manager to take sizeable stakes in his holdings, supporting the approach of collaborating with management teams to help instigate a turnaround. Performance has been strong, allowing the board to grow trust through share issuance.

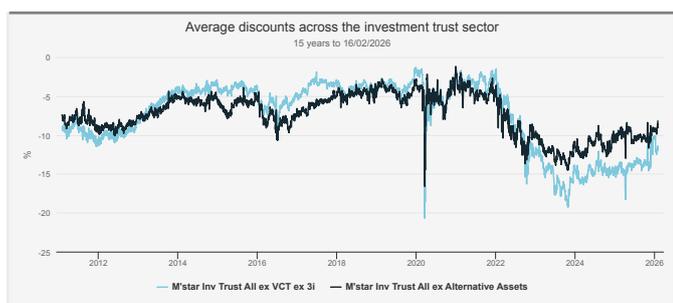
As the above example illustrates, investment trusts are ideal structures for truly active stock pickers. An attractive structure like an investment trust is often a jewel in the crown for a fund manager when compared to other structures they may run. This fact means that the UK investment trust universe has many specialist managers from all around the world who, through whatever circuitous route, have come to manage trusts. **Vietnam Enterprise Investments (VEIL)** is managed by Dragon Capital, Vietnam's largest independent fund manager, which launched operations in 1994, six years before the local stock exchange came into being. VEIL is currently positioned to benefit from two key investment domestic growth themes: consumption and infrastructure.

Even within the largest asset manager in the world, one can find individual strategies tailored to the investment structure. **BlackRock World Mining (BRWM)** offers a diversified exposure to metals and mining companies, and its performance over the 12 months to mid-2026 (up nearly 100%) shows why investors should bear with the inherent cyclicality of the sector, but also why it pays to have a specialist manager to access this area within a closed-end fund. As well as owning diversified global mining companies, the managers embrace their ability to invest in small and mid-caps, as well as opportunistically invest in private deals — either royalties or unlisted companies. For example, in December 2025, BRWM exited its BHP royalty investment at a premium of 105% to its holding value. Over the life of this particular investment, only possible because of the closed-end nature of the trust, it generated nine times the original amount invested, at a pre-tax IRR of 40%, illustrating the high return potential from these types of deals if the managers get things right.



There really is something for everyone in the investment trust space. A huge source of growth over the last decade was alternative sectors, which, set against the context of zero interest rates, were designed to provide an income in the absence of a fixed income providing one. Interest rates having risen around the world have meant that valuations have, in many cases, had to reset. However, these asset classes existed before interest rates fell, and they will continue to exist long into the future. In view of the wide discounts that abound in this part of the market, rather than just seeing these trusts simply as an income play, perhaps investors need to readjust and see them as what they are: a lowly correlated, long-term total return play with relatively low volatility. With these alternative asset trusts now trading on much wider discounts than conventional trusts (see below), in time, there is a prospect that a rerating of these trusts' shares will help to boost the NAV and income returns available to investors willing to invest in them.

### Fig.3: Alternative Asset Discounts Are Wider



Source: Morningstar

**Past performance is not a reliable indicator of future results.**

Infrastructure remains a highly sought-after asset class for institutional investors, which makes the wide discounts that listed funds currently trade at rather puzzling. **GCP Infrastructure Investments (GCP)** occupies a distinctive niche among listed infrastructure trusts, focussing on debt instruments in UK social and economic infrastructure projects. The portfolio splits into three broad sectors, with c. 57% in renewables projects, another quarter in PPP projects, and the balance in supported living. GCP's returns come primarily through dividends, and the current yield of c. 9.6% is both a function of the investment strategy and the current discount to NAV of c. 29%. GCP's NAV total return over the last five years of 37% is ahead of the Morningstar Infrastructure peer group's average of 26%, driven by its high yield and broadly stable NAV.

Renewable energy infrastructure trusts have also seen a swift derating, with the political imperatives for net zero, not long ago seen as a political consensus, seemingly having given way to prioritising 'cost of living'. At the same time, the demand for electricity seems to be growing,

from EVs, to heat pumps and datacentres. Renewables are a cost-effective way of adding significant capacity, irrespective of the 'green' benefits. **Greencoat UK Wind (UKW)** was the first of the renewable energy trusts to launch in 2012, and in many ways it has led the sector that subsequently ballooned in size since then. UKW owns a £5bn portfolio of institutional-scale wind farms in the UK, and has paid a dividend that has risen in line with or above inflation for each of the last 12 years. UKW's structurally high dividend cover means that it offers significant resilience to downside scenarios for the power price, and still has options to deploy surplus cash flows towards new investments, buybacks, or reducing debt.

With many direct property trusts & REITS being swallowed up, it is not hard to imagine that they will soon have a rarity value. One of the longest-standing direct property trusts, **Schroder Real Estate (SREI)**, launched in 2004. It has a diversified UK commercial property portfolio, but in December 2023, shareholders approved changes to the investment objective, adding specific sustainability KPIs such as energy efficiency to the portfolio. The manager believes this will lead to higher investment returns, with tenants willing to pay more for energy-efficient buildings and a good environment for employees. Whilst some investors remain on the fence or even sceptical of some ESG strategies, in our view, property is one area where the benefits can be quantified straightforwardly. The recent results showed that initiatives like increasing energy efficiency do result in higher rents, with SREI's flagship industrial asset in Manchester notably achieving high premiums to local market comparisons, in part due to its package of efficiency and environmental upgrades. The 2022 correction in the property market still weighs on investor sentiment, and the discount, albeit the mounting evidence that its portfolio has stabilised and started to grow, has helped it narrow.

**CT Private Equity (CTPE)** is part of the very well-developed listed private equity sector, giving investors access to the huge array of private companies around the world, which together represent a much larger proportion of global GDP than those that are publicly listed. In fact, one might argue that without owning private companies within a portfolio, an investor has a rather narrow window on future wealth creation. CTPE is managed by an experienced, specialist team based in Edinburgh and invests in smaller underlying businesses than the rest of the listed private equity peer group, which the team believe are capable of growing significantly faster. This area of the market sees deals tend to be less competitive, which can result in lower valuation multiples being paid to invest capital. The team behind the trust believe that whilst these companies are typically higher risk, by having a portfolio that is well diversified, investors can benefit from the asymmetry of returns from



private equity investing. They point to the long-term track record, which shows investors have been well rewarded for taking this risk.

## Cherish

All of this wonderful diversity needs to be cherished. We are not saying that trusts should necessarily be protected for protection's sake, and boards looking to merge trusts to give better prospects for life must be welcomed. However, it is worth remembering that not all investment strategies or types of investor need to have multi-billion-pound trusts. There are signs that investors are recognising that, in order to have the benefit of a diverse and healthy universe of trusts for the long term, investors may need to look past the immediate prospects of a cash offer. When Assura was on the receiving end of a take-private cash offer from KKR, long-term shareholders chose to retain the potential upside within a listed entity by voting for a share-for-share merger with Primary Health Properties (PHP).

With activists still circling, the message for investors in the investment trust space is, 'don't be complacent'. The UK's investment trust ecosystem is still alive and healthy. For several years, the sector has been the mainstay of IPOs on the LSE, bringing fresh new ideas and concepts to mainstream investors. It has a thriving ecosystem of brokers and board members, who know and understand the needs of investors and the ways in which investment trusts are best placed to meet them over the long term. Evidence for the benefits and relative strengths of this ecosystem can be seen in the move over the years for Euronext-listed funds gradually migrating to the LSE, and then abandoning their Euronext listing.

Yet the continued health of the London investment trust ecosystem can't be taken for granted. Investors need to engage with boards and managers; they need to bring independence of thought and make up their own minds about what investment requirements they want for the long term, not the short term. And they need to take advantage of the investment trust's unique ability to provide the perfect environment for an investment to compound over the long term. As Albert Einstein once said, "compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn't.....pays it". Don't let's forget it.

**We are showcasing the breadth and depth of the investment trust universe in our upcoming ISA season event. [Please register](#) to hear what this incredible range of managers has to say about their trusts and asset classes below.**

### March ISA Season Event

DATE	TRUST
Friday 6th March	Greencoat UK Wind
Monday 9th March	Bankers
Tuesday 10th March	JPMorgan European Growth & Income
Wednesday 11th March	City of London Investment Trust
Thursday 12th March	Rights & Issues
Friday 13th March	GCP Infrastructure Investments
Monday 16th March	International Biotechnology
Tuesday 17th March	Rockwood Strategic
Wednesday 18th March	Vietnam Enterprise Investments
Thursday 19th March	Schroder Real Estate
Friday 20th March	CT Private Equity
Monday 23rd March	BlackRock World Mining
Tuesday 24th March	BlackRock Latin American
Wednesday 25th March	Schroder Japan
Thursday 26th March	Seraphim Space
Friday 27th March	JPMorgan American
Monday 30th March	European Smaller Companies
Tuesday 31st March	Schroder Oriental Income

**[Click here to register for our event 'Ideas for your ISA in 2026' 6th - 31st March](#)**



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