



# When one door closes

Rumours of an existential crisis for the investment trust sector are greatly exaggerated.

Update  
26 February 2026

One question my colleagues and I used to get asked a lot goes something like this: ‘When will the next investment trust IPO be?’ and ‘What do you think the next big thing in IPOs will be?’ Superficially, these are fair enough questions. Before interest rates rose, the investment trust sector experienced a decade-long golden era of IPOs and other fundraising. Even investors not tempted to participate in some of these newer investment trusts may have derived comfort from knowing that their own investments were part of a thriving community. IPOs make for good headlines, and with those headlines now replaced by stories about M&A and corporate activity, it’s very easy to gain the impression that the sector is now in less good health. The phrase ‘existential crisis’ occasionally gets thrown into the mix, making for uncomfortable reading.

First, let me say that the following statement carries a hundred nuances and caveats, which space and a need for clarity prevent me setting out here. Many aspects of life and investment are cyclical. Any industry that has seen a decade of rapid expansion shouldn’t be too surprised if this is followed by a pause and some M&A and corporate activity. Being very close to the investment trust sector, it’s easy to get caught up in the specific injustice of this merger or that EGM requisition. But take a step back, and this all seems like capitalism operating quite normally. And if this really is the sector’s last existential battle, well, that’s a shame for me and a few other people, but really, investment trusts are just a tax-efficient form of investment company with no employees. So, as good capitalists, let’s try not get too emotionally invested.

In any case, behind the headlines, we can’t help noticing that a) many discounts are narrowing and b) many discounts are now not discounts at all. In fact, there are numerous investment trusts issuing new shares steadily. Daily share issuance isn’t a ‘story’, and so it is easy to see why it flies under the radar. And, very recently, specialist bond investor **Invesco Bond Income Plus (BIPS)** has executed a larger fundraising transaction, which I look at further below.

But first, I imagine that **City of London Investment Trust (CTY)**, if it were a person, wouldn’t mind ditching the baggage that comes with being described as a ‘bellwether’, but there are worse things to be called. The chart below shows CTY’s discount, or premium, and the cumulative total of shares issued or bought back over the last five years. The discount is the blue shaded area, and the cumulative total of share issuance, measured in £m on the right-hand axis, is the black line. This doesn’t look like an existential crisis to me.

## Analysts:

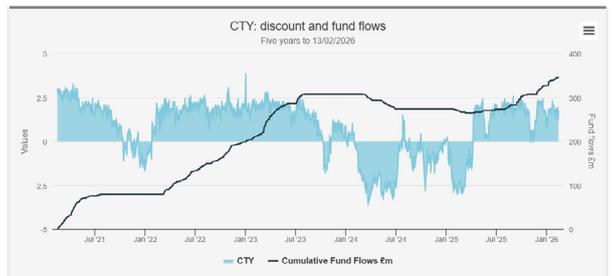
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Fig.1: CTY: Discount And Fund Flows

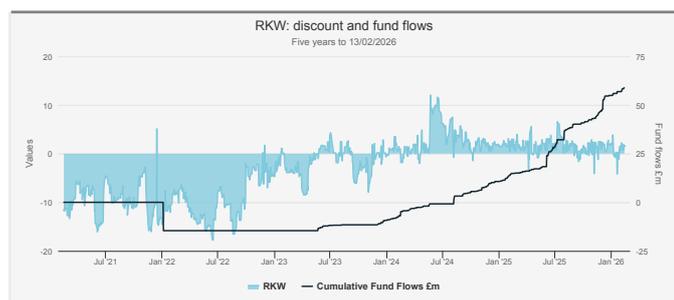


Source: Morningstar

With a market cap of £3bn, CTY does, of course, have that all-important ‘scale’ that is one of the sector’s obsessions, so perhaps it’s the exception. Let’s look at a different example. UK Small-cap specialist **Rockwood Strategic (RKW)** has defied the scale obsessed to grow from about £50m to over £200m through a combination of performance and share issuance, totalling a net £60m over the last five years. RKW’s own discount and fund flow chart is below, and again, this doesn’t look like an existential crisis so much as an everyday story of a small investment trust winning the hearts, minds and wallets of investors by performing extremely well.



**Fig.2: RKW: Fund Flows**



Source: Morningstar

As mentioned already, in February BIPS completed a placing and retail offer for shares, raising a total of £25m, approximately equally split between the placing, for which read ‘professional investors’, and the retail offer. By the standards of the golden era, this is relatively small, but the fact that almost half the money came from retail investors so often prevented from participating in these transactions in the past, is an extremely good sign. The advantage is that these transactions are often keenly priced, with fewer friction costs than come with buying shares in the normal way. I imagine others will be analysing the result with great interest. And, as we will come on to look at further below, equity strategies with a ‘value’ style bias are returning to popularity. But where are the new value strategies to cover regions like Europe or the US going to come from? Perhaps BIPS provides us with a glimpse of another way to bookbuild for an IPO.

Fellow bond specialist **M&G Credit Income (MGCI)** has also quietly been getting on with the job of issuing shares over the last couple of years, with over £50m of new shares issued since 2024, and **TwentyFour Income (TFIF)** has amassed over £300m of issuance over the last five years. These share issuance programmes may not always directly connect with retail investors, but they help to place limits on the premium to NAV, which, for those buying shares in the normal way in the market, is important. And to be fair to the ‘scale obsessed’, there are cost benefits to scale that can compound over time.

It’s perhaps not that surprising to find that investment trusts focussed on bonds have been doing well over the last few years. What’s very encouraging elsewhere is that investors are beginning to pay attention to undervalued UK equities. Last year, investors finally seemed to react to the UK’s low valuations, with the FTSE 100 performing exceptionally well. **Fidelity Special Values (FSV)**, which invests across the market cap spectrum, had an even more exceptional year, but given its value bias, probably has a lot more to offer investors and recently began to issue shares after its discount transitioned to a premium. **Temple Bar (TMPL)**, perhaps even more overtly a ‘value’ investor than FSV, is also in a good place. After a few years

of sizeable share buybacks, 2025 saw it get the rewards, with the discount eliminated and a steady stream of share issuance. More internationally, but equally with defensive, value qualities, **Murray International (MYI)** has recently moved to a premium. This again follows a long period of steady share buybacks over the last five years, and it’s now in the very early stage of issuing shares. Similarly, **Invesco Global Equity Income (IGET)** transitioned to a premium over a year ago, and has issued almost £60m of new shares, driven by strong performance.

But the pattern isn’t limited to undervalued or defensive stocks. **CQS Natural Resources Growth & Income (CYN)**, which, it’s fair to say, had a difficult 2025 due to the extraordinarily aggressive attentions of activist investor Saba, has dusted itself down and, with strong performance and a share price premium, began to claw back some of the ground it lost in a large return of capital last year. CYN is one of only a handful of investment trusts that give investors specialist access to the resources sector, which plays such an important role across so many other sectors.

## Conclusion

It’s easy to see why the end of a ‘golden era’ is accompanied by very negative discussions about an existential crisis. But anyone who has worked on an IPO will likely have found it an incredibly difficult and unpleasant experience. I think there are very few fund managers who would choose to do an IPO a second time, especially if they were given the alternative of steady share issuance. While my normal rule is never to introduce a new concept into the conclusion, rules are there to be broken. So, let’s ask, why do we even care if fund managers can raise new money? All we care about is performance, right? Well, I think we just need to be mindful that to attract talent, the sector needs to be commercially appealing. All of the above examples, which are just a sample, show that, very quietly, the commercial appeal persists. As we slam shut the door on the golden era, another door quietly opens in its place.

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