



99 bottles of beer on the wall

We identify some attractive options for investors exiting EWI and IEM, or those with cash to put to work.

Update
24 March 2026

The timetables are now set for EWI's and IEM's exit tender offers. EWI shareholders must vote for (or against) the tender offer by 08/04/2026, and if the tender passes, must vote to tender their shares by 16/06/2026, although some platforms may have earlier deadlines. Baillie Gifford is maintaining a micro-site at www.trustewit.com, which should host any updates. For IEM, the relevant dates are 16/04/2026 and 17/04/2026, with the details in the [circular](#).

One way or another, these strategies will disappear from the investment trust sector, taking two distinctive funds out of the game. It could even end up being a decent time to be receiving a slug of cash back, if the war in the Middle East continues to escalate and we see a major sell-off. Here are a few options investors might like to consider in different areas, depending on what they held the trusts for in the first place.

The smaller company options

Both EWI and IEM have smaller company tilts. After a long period in which large caps have outperformed globally, the number of small-cap options for investing outside the UK has declined. **Global Smaller Companies (GSCT)** is the one truly global small-cap trust left. Manager Nish Patel covers the ground with the help of specialist regional managers at Columbia Threadneedle, some of whom run sleeves of stocks in their region of expertise. Nish takes a value-sensitive approach to regional allocation and has been underweight the US for some time. This could suit those investors keen to play the rotation out of that market we have been seeing post-tariff announcements. Nish thinks there have been some global factors weighing on the relative performance of small caps, and there is scope for these to reverse. GSCT is a more conventional small-cap trust than either EWI and IEM, so it could work well for those looking to take exposure to this out-of-favour factor, which has historically been a major source of active alpha.

One small-cap trust to have done very well recently is **Aberdeen Asia Focus (AAS)**. Under manager Gabriel Sacks, AAS's small-cap portfolio has outperformed mainstream Asian markets over one- and three-year periods. In the recent volatility, the discount has widened out a bit to 11%, which could end up being an opportunity. It means narrowing your scope from the globe to just Asia, but with Asia such a significant part of global GDP and including many companies so central to key trends in technology, there is a lot to be said for overweighting this region.

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The Baillie Gifford options

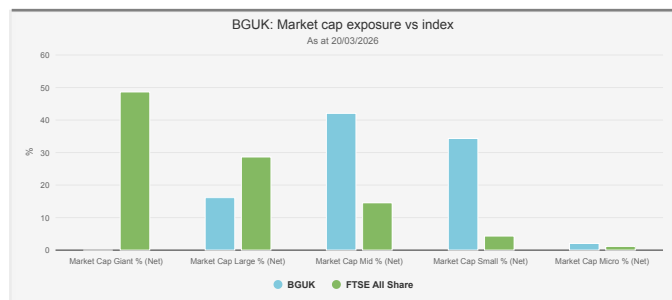
For those who want to keep some small-cap exposure while also retaining Baillie Gifford's high growth investment approach, **Baillie Gifford UK Growth (BGUK)** could be worth a look. According to Morningstar data, BGUK has 34% in small caps and a further 42% in mid caps. We think UK SMIDs could be one of the next out-of-favour markets to see a rerating, with sentiment having become so poor that the only way is up. BGUK's shares trade on a 10.4% discount to NAV. Games Workshop is the top holding, while St James Place (SJP) also features in the top ten, a stock which sold off on fears of the impact of AI on wealth managers. We think SJP's brand is built on personal relationships and the perception of high-value services, so it is hard to see how AI will take too much trade from it; as such, it could be an interesting recovery play.

Baillie Gifford Shin Nippon (BGS) is entirely focussed on smaller companies, those being in Japan. Performance has been disappointing for some time, but this has focussed the attention of both board and manager on turning things around. Changes to



the management team have been made, and the portfolio overhauled, and a tender offer has been made by the board, which has also highlighted that it will take further action as required. BGS is probably as out of favour as a strategy can be, which should pique the attention of contrarian and value investors.

Fig.1: Market-Cap Exposure



Source: Morningstar

The sustainability options

IEM's departure means there are now no dedicated ESG/ environmental equity trusts left. This speaks to a changing political climate, as well as a bursting of a 2021 bubble in certain sectors, which has left investors bruised. Net Zero by 2030 may have been finessed to 'Net Nearly Zero by today plus 15 or 20 years', but the social and political impetus to reduce emissions and encourage sustainable development hasn't gone away, and remains important to many investors. One trust with a strong commitment to ESG in stock selection is **Dunedin Income Growth (DIG)**. This factor hasn't been helpful to performance in the most recent reporting periods, but may well do so when the cycle turns. DIG has recently boosted its dividend to a minimum of 6% of NAV, paid from capital when necessary. For investors buying now, the c. 8.4% discount means the share price yield is higher too. We wrote a full update note on the trust in **December**.

One of the consequences of the war in the Middle East is to highlight how important energy security is, and having diverse sources of power, preferably those which aren't dependent on that region. It's hard to see how this doesn't lead to renewed political impetus behind renewable power. Even before the war, the managers of **BlackRock Energy and Resources Income (BERI)**, who can invest across traditional energy and energy transition stocks, were telling us they were overweight renewables. Renewables are quick to build and connect to the grid, which makes them an obvious solution for governments wanting to quickly meet the expanding energy consumption needs of AI. We think energy security is another reason to favour renewables, and these two powerful factors could see **Greencoat UK Wind (UKW)** come back into favour. UKW is still on a discount of 23% at the time of writing, despite

a sharp rise in the share price last week on expectations of higher electricity prices, which will feed through into the bottom line. The yield is an exceptional 10% at these levels, with higher electricity prices only going to improve dividend cover.

Conclusion

April is the cruellest month, which may mean it is the moment of maximum opportunity for investors. For humanitarian reasons, we hope the current conflict ends as quickly as possible, but sadly, a conclusion can't be assured. For those receiving cash back from IEM and EWI's exit tenders, it could be that they are faced with opportunities in significantly sold-off markets, which is potentially lucrative if you can force yourself to invest when the screen is red. Unsurprisingly, the departing trusts have a number of factor exposures which are out of favour: small cap, growth, and sustainability. For contrarians who have some cash to put to work, whether from the tenders or otherwise, this could be the time to allocate to these areas.



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