Everything must go

We look at the widest discounts and ask if there is any value to be had.

Update

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Gordon Brothers, who have bought Poundland for a nugatory sum, will hope they have found a bargain. The company has been a victim of Rachel Reeves' intriguing plan to boost the British economy by taxing low-paid jobs, and has a huge debt pile to service; a restructuring has been agreed to give the new owners some time to achieve this. It's one example of the truism that there is always a reason something is exceptionally cheap in the markets, and a risk being priced in. This is as true in the investment trust sector as it is anywhere else. Over the summer, we highlighted the **narrowing of investment trust discounts**, which was essentially all due to movements in the rating of equity-focussed trusts and can largely be traced back to October 2023, when markets began to price in an end to the rate-hiking cycle. This narrowing has seen some anomalies thrown up, with some trusts that have historically been more expensive than their peers **trading on wider discounts**, presenting possible opportunities. However, here we look at those trusts that have been left behind on the widest discounts, ask what risks are being priced in, and if there are any bargains to be had.

Analysts:

Thomas McMahon

+44 (0)203 795 0070

When it's gone, it's gone

A number of the widest discounts in the AIC universe, listed in the table below, are on companies which are in the process of winding up and with balance sheet issues that complicate that process. Liquidations can lead to opportunities at times, but in the case of Digital 9 Infrastructure (DGI9), which has the widest discount, the process has been troubled. The company sold its largest assets at the end of 2024 and used almost all the proceeds to pay down debt. It has sold some assets well below their carrying value during the process, which doesn't boost confidence in the rest of the valuations. Hydrogen Capital Growth (HGEN), formerly Hydrogen One, is also in realisation. The portfolio is largely made up of pre-profitable companies, which makes the valuation of the assets more subjective. New manager Redwheel is reviewing the NAV, and so the wide discount seems to be pricing in writedowns. HGEN doesn't gear at the company level, but underlying investments do have debt, while they will regularly require new financing on their paths to profitability, meaning that assets may have to be sold in order to fund these commitments, not a recipe for achieving the best price.

Ceiba Investments, the widest discount on a trust not in wind-up, owns a portfolio of Cuban property. The country's tourism industry has been struggling, and the administration of Trump, with Marco Rubio as secretary of state, is not seen as a positive. It has a complicated structure, a highly concentrated portfolio, and some very expensive debt, the repayment terms of which have been amended this year. It is listed on the Specialist Funds Segment, which will make it uninvestable for retail investors and means it does not have to meet FCA listing rules. Macau Property Opportunities Fund (MPO) is another specialist property fund, focussing on the eponymous city, a gambling and tourism hub. It is highly leveraged, with an LTV of just over 50% equating to debt on a NAV basis of over 100%, which means plenty of funds from its slow wind-up process will be needed to cover that debt. Realisation began in 2022. High fees are another feature to be aware of. There are realisation fees payable to the manager on sales, and while they are capped, the cap is 5% of market capitalisation. Therefore, hefty fees and debt both need to be paid from the realisation proceeds.

Tetragon Financial Group (TFG) is a very different proposition. It owns a portfolio of asset managers focussed on alternative asset classes, managed funds, and also makes some direct investments. Investments are largely in the private-equity and hedge-fund space. It has persistently traded on a very wide discount over many years, the ten-year share price return being 184.9% and the NAV return

Ten Widest Discounts

	LATEST DISCOUNT (CUM FAIR)	LATEST DISCOUNT (CUM FAIR) DATE	ASSOCIATION OF INVESTMENT COMPANIES (AIC) SECTOR
Digital 9 Infrastructure	-72.8	27/08/2025	Infrastructure
Hydrogen Capital Growth	-69.9	27/08/2025	Renewable Energy Infrastructure
Ceiba Investments	-64.6	27/08/2025	Property - Rest of World
Macau Property Opportunities	-59.2	27/08/2025	Property - Rest of World
Tetragon Financial	-54.1	27/08/2025	Flexible Investment
Sure Ventures	-53.1	27/08/2025	Technology & Technology Innovation
LMS Capital	-50.3	27/08/2025	Private Equity
Life Science REIT	-49.4	27/08/2025	Property - UK Commercial
Ecofin US Renewables Infrastructure	-46.8	27/08/2025	Renewable Energy Infrastructure
Molten Ventures	-46.9	27/08/2025	Growth Capital

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

being 175.9%. There seems little hope of a meaningful narrowing: high performance fees and no voting rights on the shares, along with the complicated nature of the portfolio and the controlling stake of the manager, seem to justify a wide discount, and the trust is on the SFS making it out of bounds to the typical retail investor. Sure Ventures (SURE) and LMS Capital (LMS) are both tiny, with the latter also being in realisation. Life Sciences REIT (LABS) is under strategic review and looking for a buyer for its portfolio. It has written down the value of its properties since launching the review, and has only 85% occupancy, highlighting weak leasing demand in its market. Ecofin US Renewables (RNEP) is sub-scale and struggling to sell its assets one by one, having failed to find a buyer for the whole portfolio. US renewable assets are not in favour, given the current US administration.

Molten Ventures (GROW) stands out to us on this list. There aren't any balance sheet issues to be worried about, and the portfolio valuation methodology is, in our view, robust. We think it has been out of favour largely for macro reasons, and perhaps as a result of being so successful in a low-interest-rate world and attracting so much capital from institutional investors who have stepped back from the UK. The discount has narrowed from 53% when we wrote on the company in July to 47%, following strong results which saw a number of disposals at or slightly above carrying value. VC is a high-risk strategy, but we think there is a lot of value in the current discount.

It is perhaps unsurprising that most of these widest discounts are on companies with structural issues and in the alternatives space. There are some slightly narrower discounts on ones we don't think have any structural issues and look interesting. **HarbourVest Global Private Equity (HVPE)**, for example, trades on a 35.4% discount at the time of writing. It offers highly diversified exposure to the private equity space, which has seen wide discounts for some time. In response, the board has committed to significant returns of capital to shareholders via buybacks, with 30% of realisations from investments to be placed in a distribution pool to that end. Over 2024, HVPE repurchased $90m worth of shares, which, according to HarbourVest, was the second largest buyback by percentage of NAV and the largest by absolute amount among any of HVPE's direct peers. It has since committed to doubling the percentage of realisations to be added to the distribution pool, and the board estimates up to $219m could be available for buybacks in 2025. NAV returns have been muted for the past three years in an environment of much higher interest rates. In our view, much depends on the success of sales of portfolio companies, and as we discussed in **our recent note**, there has been good recent news in that regard.

Pantheon International (PIN) has a slightly narrower discount of 33.2% at the time of writing, but a similar story. While it has historically allocated to other managers, it has increasingly tilted towards making direct investments. The portfolio has heavy exposure to technology, healthcare, and consumer staples, with a mixture of growth and resilience targeted in the small- and mid-cap space. In August 2023, the board was the first in the sector to commit to a formulaic buyback programme. The board stresses the impact of this on the NAV per share more than the discount, although the discount has narrowed since the policy was implemented. We discussed the trust in detail in a **note published in April**, and we note that last week PIN reported an excellent monthly NAV gain for July of 3.7%.

Every Little Helps

It's notable how much narrower the widest discounts are on the listed equity trusts, the widest ten of which are featured in the table below. Simpler structures, easier-

Ten Widest Equity Trust Discounts

	LATEST DISCOUNT (CUM FAIR)	LATEST DISCOUNT (CUM FAIR) DATE	ASSOCIATION OF INVESTMENT COMPANIES (AIC) SECTOR
Syncona	-43.9	27/08/2025	Biotechnology & Healthcare
Baker Steel Resources	-38.1	27/08/2025	Commodities & Natural Resources
Worsley Investors	-36.4	27/08/2025	UK Smaller Companies
Pershing Square Holdings (GBP)	-30.9	27/08/2025	North America
RTW Biotech Opportunities	-23.5	27/08/2025	Biotechnology & Healthcare
Lindsell Train	-19.9	27/08/2025	Global
Riverstone Energy	-19.5	27/08/2025	Commodities & Natural Resources
VinaCapital Vietnam Opp Fund	-19.4	27/08/2025	Country Specialist
Investment Company	-19.1	27/08/2025	UK Smaller Companies
Rights & Issues Investment Trust	-17.9	27/08/2025	UK Smaller Companies

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

to-understand assets, and lower gearing are likely the key determinants. The very widest discounts are on those that lack those features, such as Syncona (SYNC). SYNC recently announced plans to wind up its portfolio. This process, which involves selling private, early-stage biotech companies, is expected to take a number of years. There is also uncertainty surrounding the idea of some investors rolling over into a new, unlisted fund, which would continue to own some of SYNC's existing assets. An additional complication is the highly concentrated nature of the portfolio, with 17% in Spur, a gene therapy company whose products have produced good data but have yet to complete the formal trial process. Baker Steel Resources (BSRT) also has a highly concentrated portfolio, with 54% of it in two companies. These are listed mining companies, but small caps, so with limited liquidity. Performance has been unimpressive over the long run, but over the past 12 months, the NAV is up 37% and the share price 26% (both in total return terms). Exposure to coal and cement will put it outside of some investors' remit due to ESG concerns, and it is likely to be sensitive to economic growth, which may be one reason for the wide discount. There is also a very concentrated shareholder register to consider, which would likely reduce liquidity in the shares, while the manager is a major shareholder, giving them significant influence.

We will pass swiftly over Worsley Investors (WINV), which has a market cap of £8.6m and a controlling stake held by the founding partner of the investment adviser who sits on the board. It has an idiosyncratic portfolio of investments, which includes a cinema in Bergamo, Italy. Of more interest to the average investor is likely to be Pershing Square Holdings (PSH). PSH has a market cap of £7.7bn, but does have at least one important feature in common with WINV—manager Bill Ackman has a controlling stake. We think this is a key reason why the shares tend to trade on such a wide discount despite the excellent performance. PSH doesn't publish much portfolio data on its highly concentrated portfolio of liquid large-cap equities, but Ackman has taken advantage of many turnaround situations in the past and is currently looking to weave his magic at Nike, for example. Ackman's control of PSH means that investors are on board as he works his schemes and ambitions. He has declared his intention to create a second Berkshire Hathaway, as a start taking a controlling stake in long-term holding Hilton Hotels and seeding it with cash to make investments in other sectors. Ackman is a brilliant investor, but we think the high level of personal control he has might justify a wider discount than a typical equity trust.

RTW Biotech Opportunities (RTW) has a mixture of public and private holdings in the biotechnology industry. Biotechnology has been struggling for a few years in a high-interest-rate environment. Trump's election has also brought some uncertainty around the US authorities' attitudes to the industry, which has weighed on the market over the past year. RTW's portfolio has only 20% in companies at a commercial stage, with the remainder of the portfolio in companies with products going through clinical trials. This adds greatly to the single stock and event risk, and contrasts with the more mature portfolio of **International Biotechnology (IBT)**. IBT trades on a much narrower discount of 9.7% and has a good mix of profitable companies as well as those at an early stage. In our view, it is an attractive way to access the arguably undervalued biotech space with more risk consciousness, although we acknowledge that if there is a profound return of confidence to the sector, RTW's discount may prove to have represented an opportunity.

Lindsell Train (LTI) has had a remarkable derating in recent years, and stands as a good warning of the potential consequences of investing in a trust at a hefty premium. NAV performance has been disappointing, while LTI's holding in the management company means there is a compounding effect. For a start, it brings down the earnings of the management company, which contributed to a 28% writedown in the last results. Additionally, if LTI's investors lose confidence in the managers delivering high-returns and inflows, then the discount or premium to the NAV they will apply will fall. LTI has a set of distinctive style tilts, and we think there is the potential for its style to come back into favour once more—although not obviously in the near future—which could see a positive dynamic on the profits and valuation of the management company and the listed portfolio, leading to a narrowing of the discount. That said, Nick Train and Michael Lindsell are decreasing their share in the manager to bring new partners on board, and given the importance of their names to the earlier success of the business, we would be sceptical of such a high premium emerging once more.

Riverstone Energy (RSE) has just begun the process of wind-down. The current discount represents around half the level the shares traded at before the possibility was first raised when the annual report mentioned discussions with shareholders on the strategic direction of the company, with the narrowing accelerating once proposals were published. As such, we think the discount reflects the fact that RSE's portfolio is relatively illiquid and much of it unlisted. A sales process is likely to take time, and the values achieved are uncertain, so there may be more obvious opportunities out there.

VinaCapital Vietnam Opportunity Fund (VOF) is a more conventional situation. There are three funds investing in Vietnam, an exciting but small market that is currently still considered a frontier market by the major index providers. Wide discounts emerged in recent years due to market-wide factors as well as some specific issues in Vietnam, first political and regulatory issues and then US tariffs. However, the direction of travel looks positive, with modest tariffs to be imposed and Vietnam seeing strong domestic growth thanks to new leadership focussed on reform and boosting the economy. Yet the trusts trade on wide discounts. VOF's is only marginally wider than **Vietnam Enterprise Investments' (VEIL)** of 18.5%. VEIL has had much better performance over the past year, and has spent more than £100m buying back shares in 2025. It would be our preferred pick to benefit from the strong GDP growth in the country and a potential upgrade to emerging status by FTSE this September.

At only £6m in market cap, The Investment Company (INV) won't be seriously considered by most investors. Around 15% of the shares are held by the manager, James Baker, and another 5% by Chelverton. Investing in small- and mid-cap companies could be one way to benefit if sentiment toward that market improves, but there are wide discounts across the sector, including on more liquid trusts with gearing facilities. Rights & Issues Investment Trust (RIII), for example, has a £100m market cap, although no gearing at present. The NAV did well for most of 2024, but has fallen behind the index in 2025. Manager Matt Cable took over in October 2022 and explained how he has refashioned the portfolio in a video we published **earlier this year**.

Conclusion - Live well for less

The average discount on equity trusts has indeed come in over the past year or so, but it remains at 10.4% on a market-cap-weighted basis (as of 28/08/2025). Many of the higher-quality trusts or the best performers are trading at narrower discounts than those in the table above, but that doesn't mean they don't represent value. Beyond a couple we have mentioned above, we would highlight **Golden Prospect Precious Metals' (GPM)** discount of 12.9%—gold miners have performed exceptionally well recently, and the outlook for gold prices seems well supported, so this trend might continue. For UK small-cap exposure, **BlackRock Smaller Companies (BRSC)** offers growth exposure at a 12.5% discount, and **Aberforth Smaller Companies (ASL)** offers the value style at an 11.7% discount. **Fidelity China Special Situations (FCSS)** and **Invesco Asia Dragon (IAD)** both trade at a touch under 10% and are high-quality routes into the fast-growing Asian markets. While the immediate outlook for stock markets is cloudy, that is often the case, and these worries are always cyclical. We think that over a multi-year holding period, most of these trusts are still much nearer what will prove to be the lower bound of their trading range than the upper.

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