Investors' Chronicle | Alpha

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Alpha investment trust report

5 May 2023

Tech and healthcare stocks are flagged once more

Nobody in their right mind would want to revisit 2020-21, but two stock market sectors in particular would surely like to resume the upward trajectory they saw in the depths of the pandemic. Over the past 18 months, healthcare and tech have sold off, but now our screen is flagging specialist trusts that are cheap relative to their history.

Report author: **James Norrington**

Are sectors that were hot in the pandemic ready to sizzle again?

Before succumbing to hyperbole, let's first acknowledge that the two technology trusts our screen highlighted last month have since performed flat. **Polar Capital Trust (PCT)** is down 2 per cent and **Allianz Technology Trust (ATT)** has edged up by just 0.5 per cent on a total returns basis (04.04.2023 to 02.05.2023).

For this month's report, thanks to its positive three-month share price momentum and a discount that is cheaper than its long-run average (using data from Winterflood Research), PCT is once again in our top 10 trusts. But the performance of the Nasdaq 100 index last month does suggest that caution is merited and trust enthusiasts haven't been piling in to narrow discounts.

Thinking more broadly, the market conditions we are navigating can easily catch-out our investment trust screen if it was being used to invest systematically in the top 10 trusts. In 2023, we have seen some general rallies in markets as well as short-term hot themes (such as the China re-opening trade at the start of the year).

This meant the holdings of some trusts, as witnessed by growing net asset value (NAV), saw momentum which outstripped that of trusts' own shares, which owe a portion of their price returns to UK market beta (and not just the form of underlying assets). For example, when China was all the rage between December and January, trust shares went up but didn't necessarily keep up with NAV or meaningfully close discounts.

Although our screen is designed to signal undervalued trusts with momentum, there is a risk discounts don't close up. But when the froth comes off the underlying theme, the shares can still fall back. In the case of highlights from the February Alpha Investment Trust report, like **Fidelity China Special Situations (FCSS)** and **Asia Dragon Trust (DGN)** which are each down around 8 per cent since it was published, the risk of our system being too late to the party has been realised. It would be remiss not to assess this as primarily a failure of the system rather than the trusts.

Different times for trusts

What must also be acknowledged, however, is that since the end of 2021 many of the conditions that made investment trusts such a good vehicle over the past decade have been eroded. Inflation and higher interest rates have affected investors' discount rates, forcing down valuations in hot areas of the market and causing specialist trusts to move from trading at a premium to a discount.

Some of the main reasons investors would buy trusts at a premium suddenly dissipated. Firstly, the valuations of high growth investments that seemed worth paying over the odds for (whether that was a diversified portfolio of listed growth stocks or unlisted companies) were reappraised. Second, the deteriorating economic outlook and rising cost of capital for those investments made their prospects look worse.

Third, the ability of investment trusts to use debt to leverage exposures has gone from being a positive feature in an environment of cheap money, to being a cause for concern when debt finance is more expensive to obtain and renew. The need for trusts to be circumspect towards gearing means the onus is even more on trust assets to outperform, which is a tougher task than it was in benign economic and monetary conditions.

All that said, while conditions are much harder for the investment trusts in our top 10 portfolios to beat the market in aggregate (as they did regularly up until the inflationary conditions took hold at the end of 2021), the system can still flag trusts that may be worth building positions in. There are some more caveats to make, however.

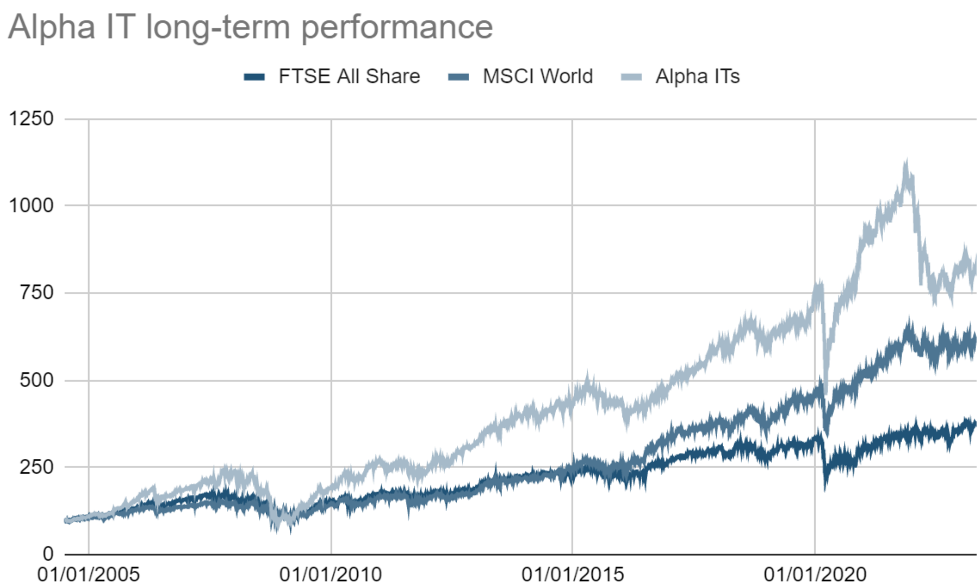
As the horrible peak-to-trough drawdowns in our system have shown, trust discounts can blow out in times of market turmoil as trust shares dump faster than the market. It has also been the case, once bottoms have been reached, there have been sustained periods of outperformance. We must be realistic that some of the catalysts for the powerful recoveries after falls in 2008-09 and 2020 may no longer exist: Quantitative easing (QE) and basement level interest rates aren't such easy policy levers to pull if we are in an era of structurally higher inflation.

In this new environment it is possible that sustained periods of low volatility in stock markets will be less likely, that means rallies (like the China example at the beginning of the year) in hot themes may catch our system out more frequently. We could also be anchoring expectations of how much discounts can close and how high premiums can rise to a time when interest rates were lower.

In a nutshell, the easy gains from positive market beta, hot themes and discount compression which saw our system enjoy such robust performance in the decade following the global financial crisis can't be assumed going forward. Does that mean investment trusts aren't good vehicles? This we can't say, although a golden era for trust marketers has probably finished.

There are some very well managed trusts out there, but investors need to think about picking up shares in them at opportune moments. There is a risk that trust discounts can widen but, at current levels, there is an argument that the most extreme falls in trust share prices are done and there now exists a margin of safety for underlying assets. This month, some long-term structural themes which sold off in 2022 are coming into play.

A system tailor-made for QE and easy money



Source: Investors' Chronicle, Refinitiv

Trust screen results and commentary below

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April 2023 Alpha Investment Trust screen results

10-trust portfolio

								Discount to NAV				Share price performance					
Rank	Name	TIDM	Mkt cap	Price	Gearing	DY	Z-score	Now	Avg	Low	High	1m	3m	6m	1y	3y	5y
2	Literacy Capital	BOOK	£265m	441p	-1%	-	-1.1	-5.6%	6.3%	28.1%	-14.0%	9.7%	13.7%	16.4%	17.9%	-	-
3	Worldwide Healthcare Trust	WWH	£2,000m	3,230p	3%	0.8%	-1.3	-10.1%	-7.8%	-0.8%	-11.0%	4.4%	3.4%	-2.1%	1.8%	3.3%	37.3%
4	Aquila Euro Renewables Inc	AERS	£330m	84p	30%	5.6%	-0.7	-22.9%	-14.0%	5.5%	-32.3%	1.2%	9.4%	12.0%	3.2%	10.4%	-
5	Personal Assets	PNL	£1,883m	481p	-9%	1.1%	-1.3	0.0%	0.8%	2.5%	-1.5%	0.5%	-0.1%	1.2%	-3.0%	16.3%	31.0%
6	Warehouse REIT	WHR	£465m	109p	36%	6.0%	-0.7	-27.9%	-21.8%	-4.5%	-40.0%	4.8%	6.2%	-9.4%	-28.2%	31.5%	41.0%
7	Polar Capital Technology	PCT	£2,450m	1,940p	0%	-	-0.9	-13.9%	-11.9%	-5.5%	-16.4%	-2.7%	2.2%	1.0%	-4.9%	12.1%	68.7%
10	Bankers	BNKR	£1,278m	101p	8%	2.4%	-1.7	-9.3%	-7.2%	-4.0%	-9.7%	-0.6%	-2.7%	4.1%	-2.6%	19.6%	30.3%
12	JPM Claverhouse	JCH	£412m	690p	10%	4.9%	-1.2	-4.5%	-2.0%	4.1%	-7.0%	2.7%	-0.9%	3.5%	0.2%	44.3%	14.0%
15	JPM American	JAM	£1,296m	706p	7%	1.0%	-0.7	-3.1%	-2.1%	1.5%	-7.2%	-0.7%	2.6%	-5.0%	-4.5%	70.1%	91.5%
25	Dunedin Income Growth	DIG	£451m	304p	7%	4.3%	-0.5	-1.0%	-0.2%	3.4%	-5.0%	5.9%	2.7%	11.4%	7.0%	44.8%	49.7%

Winterflood Investment Trusts, as at 2 May 2023

Top 25

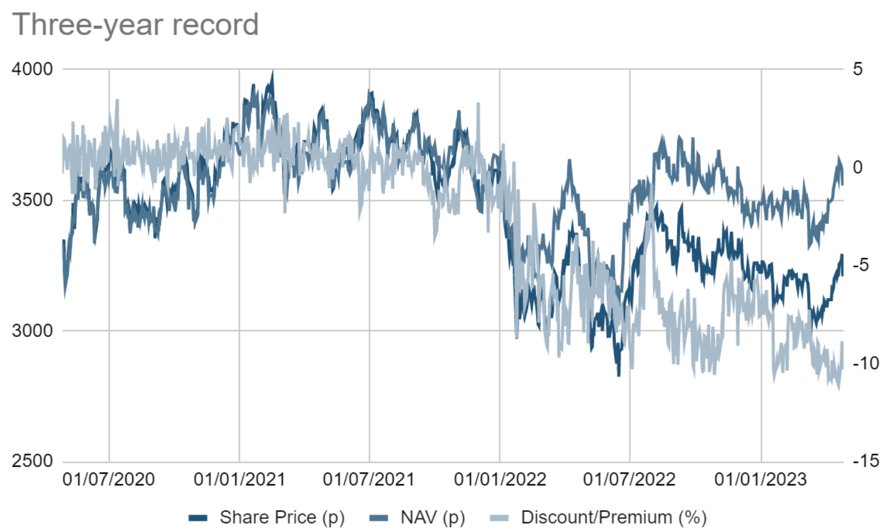
								Discount to NAV				Share price performance					
Rank	Name	TIDM	Mkt cap	Price	Gearing	DY	Z-score	Now	Avg	Low	High	1m	3m	6m	1y	3y	5y
1	Fair Oaks Income - US$	FAIR	£160m	0p	-17%	18.2%	-6.0	-15.3%	-0.9%	7.2%	-5.3%	2.9%	1.6%	-1.2%	-6.9%	97.0%	-1.1%
2	Literacy Capital	BOOK	£265m	441p	-1%	-	-1.1	-5.6%	6.3%	28.1%	-14.0%	9.7%	13.7%	16.4%	17.9%	-	-
3	Worldwide Healthcare Trust	WWH	£2,000m	3,230p	3%	0.8%	-1.3	-10.1%	-7.8%	-0.8%	-11.0%	4.4%	3.4%	-2.1%	1.8%	3.3%	37.3%
4	Aquila Euro Renewables Inc	AERS	£330m	84p	30%	5.6%	-0.7	-22.9%	-14.0%	5.5%	-32.3%	1.2%	9.4%	12.0%	3.2%	10.4%	-
5	Personal Assets	PNL	£1,883m	481p	-9%	1.1%	-1.3	0.0%	0.8%	2.5%	-1.5%	0.5%	-0.1%	1.2%	-3.0%	16.3%	31.0%
6	Warehouse REIT	WHR	£465m	109p	36%	6.0%	-0.7	-27.9%	-21.8%	-4.5%	-40.0%	4.8%	6.2%	-9.4%	-28.2%	31.5%	41.0%
7	Polar Capital Technology	PCT	£2,450m	1,940p	0%	-	-0.9	-13.9%	-11.9%	-5.5%	-16.4%	-2.7%	2.2%	1.0%	-4.9%	12.1%	68.7%
8	Home REIT (suspended)	HOME	£301m	38p	9%	10.8%	-1.1	-65.3%	-29.1%	12.2%	-68.1%	0.0%	0.0%	-56.5%	-67.1%	-	-
9	Taylor Maritime Investments - US$	TMI	£305m	1p	-1%	9.5%	-0.9	-31.2%	-22.2%	-1.1%	-37.4%	2.9%	2.0%	0.0%	-17.0%	-	-
10	Bankers	BNKR	£1,278m	101p	8%	2.4%	-1.7	-9.3%	-7.2%	-4.0%	-9.7%	-0.6%	-2.7%	4.1%	-2.6%	19.6%	30.3%
10	SDCL Energy Efficiency Income	SEIT	£1,026m	93p	22%	6.4%	-1.0	-11.1%	-0.4%	17.2%	-21.2%	9.9%	0.7%	-7.9%	-19.1%	9.6%	-
12	VH Global Sustainable Energy Opp.	GSEO	£417m	99p	-6%	5.2%	-1.1	-7.5%	-1.2%	12.8%	-11.9%	-0.6%	-0.2%	-5.9%	-10.3%	-	-
12	JPM Claverhouse	JCH	£412m	690p	10%	4.9%	-1.2	-4.5%	-2.0%	4.1%	-7.0%	2.7%	-0.9%	3.5%	0.2%	44.3%	14.0%
14	AVI Japan Opportunity	AJOT	£166m	119p	5%	1.3%	-1.1	-3.8%	-1.6%	4.8%	-6.9%	0.2%	-0.4%	11.7%	11.5%	30.5%	-
15	JPM American	JAM	£1,296m	706p	7%	1.0%	-0.7	-3.1%	-2.1%	1.5%	-7.2%	-0.7%	2.6%	-5.0%	-4.5%	70.1%	91.5%
15	Princess Private Equity - €	PEY	£654m	9p	1%	3.9%	-0.7	-35.7%	-29.7%	-11.7%	-44.6%	1.8%	2.7%	0.8%	-15.6%	29.0%	22.0%
17	abrdn Diversified Income & Growth	ADIG	£262m	87p	0%	6.5%	-1.1	-24.8%	-20.5%	-15.2%	-30.2%	5.1%	-1.8%	-4.7%	-9.2%	19.5%	-7.0%
17	Cordiant Digital Infrastructure	CORD	£641m	83p	30%	1.8%	-1.2	-21.1%	-9.9%	6.6%	-25.3%	1.1%	-1.9%	-2.4%	-22.8%	-	-
19	Capital Gearing	CGT	£1,235m	4,710p	0%	1.0%	-1.9	-0.3%	2.3%	4.5%	-0.7%	-0.7%	-4.6%	-4.3%	-7.7%	14.0%	24.8%
19	RIT Capital Partners	RCP	£3,062m	2,005p	9%	1.9%	-0.6	-16.0%	-12.2%	-0.2%	-23.4%	5.6%	2.7%	-11.3%	-19.2%	14.0%	9.5%
21	Downing Renewables & Infrastructure	DORE	£203m	110p	-11%	4.5%	-0.5	-6.3%	-3.6%	4.2%	-13.9%	1.4%	4.3%	-0.5%	4.3%	-	-
22	Montanaro Euro Smaller Cos	MTE	£266m	140p	4%	0.7%	-0.7	-11.4%	-10.3%	-3.7%	-15.1%	1.8%	0.7%	18.4%	-4.5%	39.9%	78.9%
23	Starwood Euro Real Estate Fin.	SWEF	£352m	89p	-1%	6.2%	-1.2	-16.8%	-11.0%	1.0%	-19.9%	-1.0%	-2.6%	-3.4%	0.8%	21.7%	15.9%
24	Greencoat Renewables - €	GRP	£1,078m	1p	27%	5.7%	-2.1	-4.5%	5.5%	17.2%	-5.5%	-1.1%	-4.9%	-6.1%	-3.9%	11.9%	34.0%
25	Dunedin Income Growth	DIG	£451m	304p	7%	4.3%	-0.5	-1.0%	-0.2%	3.4%	-5.0%	5.9%	2.7%	11.4%	7.0%	44.8%	49.7%

Winterflood Investment Trusts, as at 2 May 2023

Worldwide Healthcare Trust (WWH)

Name	TIDM	Mkt Cap	Price	DY	Gearing
Worldwide Healthcare Trust	WWH	£2,000m	3,230p	0.80%	3%
Discount to NAV					
Z-Score	**Now**	**Avg.**	**Low**	**High**	
-1.3	-10.10%	-7.80%	-0.80%	-11.00%	
Share Price Performance					
1m	**3m**	**6m**	**1y**	**3y**	**5y**
4.40%	3.40%	-2.10%	1.80%	3.30%	37.30%

Source: Winterflood Investment Trusts



Source: Morningstar

Worldwide Healthcare Trust (WWH) benefited from its focus on one of the hottest parts of the market in 2020 and 2021, but its shares have gone from trading at around a 5 per cent premium at their height to now being on a discount of more than 10 per cent. This, of course, reflects the re-set in valuations expensive stocks in sectors like Healthcare have had as interest rates went up, but the long-term structural drivers remain in place.

While it's easy to wax lyrical about ageing populations, emerging markets, gene therapy, oncology and obesity - all the mega-trend narratives that, rightly, get trotted out - investors are entitled to ask why a managed fund? After all, there are exchange traded funds (ETFs) that track large-cap Healthcare stocks and only charge between 25 and 40 basis points (a basis point 'bp' is a hundredth of 1 per cent).

Compare that to the cost of buying into WWH's portfolio: the reduction in yield (RIY) that is estimated from charges over a five year period is 129 basis points.

RIY is a regulator required disclosure (through the European Mifid regulation that the UK largely continues to mirror post-Brexit), and the charges investors will see quoted on most broker websites include an 89 basis point ongoing charge and there is also a performance charge.

Frostrow Capital LLC, a specialist in providing operational oversight and marketing support to investment companies like WWH, oversees administrative functions. For investment decisions, the company employs Orbimed Capital LLC, a specialist manager that counts several medical doctors and PhD holders among its partners. Orbimed manages over $20bn in assets for a number of clients including WWH as well as other investment trusts, mutual funds, hedge funds and private equity funds.

The portfolio management team is headed by Sven Borho, one of Orbimed's managing partners and Trevor Polischuk PhD, one of the firm's other partners. The trust's USP is the global nature of healthcare makes it difficult for UK-based investors to capture the full breadth of opportunities. This is true when it comes to investing outside of global mega-cap pharmaceutical businesses, although roughly half of the portfolio is focussed on the sorts of large companies investors could buy shares in through a UK broker.

Top holdings

Name	% Port
AstraZeneca PLC	6.4
UnitedHealth Group Inc	5.8
Bristol-Myers Squibb Co	5.8
Sanofi SA	5.5
Humana Inc	5
Boston Scientific Corp	4.8
Roche Holding AG	4.7
Intuitive Surgical Inc	4.5
Biomarin Pharmaceutical Inc	4.1
Stryker Corp	3.4
Total	50

Source: Morningstar

Where small investors might have more of a challenge is in getting access to some of the most innovative life sciences and emerging biotechnology companies that the trust has invested in. The trust is also allowed to invest up to 10 per cent of its portfolio in unquoted private companies - and as of its September 2022 half year, it had 7.1 per cent of NAV in such holdings.

Leveraging the research and practical scientific knowledge of its team enabled Orbimed to outperform its benchmark, the MSCI World Healthcare Index, in the first year of the pandemic both in terms of its NAV and share price. Since then, the somewhat indiscriminate drawdowns in value suffered by smaller growth companies contributed to a sizable calendar year underperformance in both 2021 and 2022.

Trust managers and investors who got in at the wrong time dislike discounts with good reason. The trust has a policy of implementing share buybacks to try and keep the discount at no more than 6 per cent, a task it has been struggling with (the recent average has been almost eight per cent). For new investors, however, the lottery stock nature of non mega-cap healthcare investing perhaps means buying at a discount is the natural approach to take.

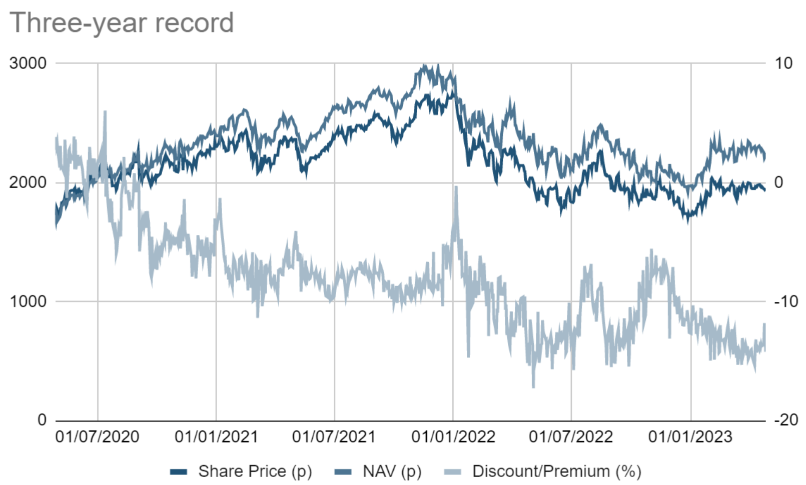
Given the fact the benchmark has made over 80 per cent on a five-year basis and WWH has seen its NAV and shares return in the late-40s and mid-30s per cent, respectively, a cheap passive strategy would seemingly be better for buy-and-hold investors. There are, however, few ways to get exposure to exciting smaller opportunities in these global industries. At the present discount, there is enough of a risk premium baked into WWH's valuation to suggest a margin of safety exists to take a position on the macro backdrop becoming more benign and Ergomed's experienced team delivering some upside in the medium term.

Polar Capital Technology (PCT)

Name	TIDM	Mkt Cap	Price	DY	Gearing
Polar Capital Technology	PCT	£2,450m	1,940p	-	0%
Discount to NAV					
Z-Score	**Now**	**Avg.**	**Low**	**High**	
-0.9	-13.90%	-11.90%	-5.50%	-16.40%	
Share Price Performance					
1m	**3m**	**6m**	**1y**	**3y**	**5y**
-2.70%	2.20%	1.00%	-4.90%	12.10%	68.70%

Source: Winterflood Investment Trusts

The other star-performing sector in the pandemic was technology and the impressive total returns made by **Polar Capital Trust (PCT)** over five years, is testimony to the massive growth enjoyed by companies at the cutting edge. In the aftermath of interest rates spiking the tech bubble, however, PCT - which had been accustomed to being priced at or above its NAV - has seen its discount in double digits.



Source: Morningstar

PCT was also in our Top 10 investment trusts last month, but the sideways performance since then suggests something of the market mood. Investors have been nervous about going gung-ho on a stock market recovery. Although the Nasdaq 100 index (a more tech-centric US benchmark) is up 20 per cent year to date, it has been flat over the last month. Even though consensus is shifting away from hawkish monetary policy predictions, there are enough dissenting and concerned voices to tether the bulls. That conservatism is underpinned by the US banking sector's woes weighing on broader sentiment.

UK investors may be less enamoured with the US market thanks to the bad news from across the pond and the negative recent history of tech stocks. For investors with faith PCT's discount is wide enough, there is an argument it offers a margin of safety for tech, especially as recently reported quarterly earnings for the likes of Alphabet **(US:GOOGL)** and **Microsoft (US:MSFT)** beat expectations.

These positive surprises for profitable and well established business divisions came at the same time as the latest technology super-narrative reached fever pitch. Generative Artificial Intelligence (AI) has got people excited and terrified in equal measure but PCT's manager, Ben Rogoff, recently told Winterflood investments that the scale of potential upside could be greater than analysts are willing to forecast now. In the past that hasn't stopped glamour stocks getting bid up on hype, especially in tech, but the other factors at play may act as a break.

With the market's animal spirits subdued for now, a wide existing discount to exploit and the underpinning of core holdings' profitability, there is a case to be made for PCT.

The portfolio is concentrated with about 40 per cent in the top 10 holdings, and overall, there is a strong large company bias with over 90 per cent of the net asset value concentrated in businesses worth over $10bn market cap.

Top holdings

Name	% Port
Microsoft Corp	8.9
Apple Inc	8.7
NVIDIA Corp	3.3
Samsung Electronics Co Ltd	3
Alphabet Inc Class A	2.9
Advanced Micro Devices Inc	2.8
Alphabet Inc Class C	2.7
Taiwan Semiconductor Manufacturing Co Ltd	2.4
ServiceNow Inc	2.1
ASML Holding NV	2
Total	39

Source: Morningstar

Therefore, this isn't a trust that is generating returns by finding new companies no one has ever heard of. The PCT investment team, led by Ben Rogoff, is one of the largest focussed on tech in Europe and it seeks to achieve returns for investors by placing the right emphasis on the tech titans that have positioned themselves best for the most exciting advances such as 5G and Connectivity, Cloud Computing and Cybersecurity, Artificial Intelligence and Software as a Service (SaaS).

In terms of industries, PCT's positioning shows high conviction in semiconductors and chip and graphic card technology (27 per cent of the portfolio); software (c. 25 per cent); with about 13 per cent focussed on tech hardware. Interestingly, the semiconductor industry is expected to benefit enormously from AI and Winterflood estimates holdings like **Nvidia (US:NVDA)**, **ASML (NL:ASML)** and **Taiwan Semiconductor (TPE:2330)** could enjoy returns that outstrip much of the tech sector.

The semiconductor exposure is good from an AI perspective, but there is geopolitical risk, given China and US tensions over Taiwan, although PCT has diversified this exposure across geographies with TSMC a significant holding but at 2.4 per cent, not overly so. Dutch business ASML is, at 2 per cent, almost as prominent in the portfolio. Another risk that could be felt keenly in the near term is actually if global recession causes a slowdown in the semiconductor industry given the level of PCT's investment and on the assumption the AI effect doesn't feed through to demand as rapidly as has been suggested.

As discussed, the wide discount could provide investors in the trust with something of a margin of safety, although the trust managers are trying to narrow the gap to NAV themselves with a buyback programme. Historically, there has been no policy on limiting the discount to a target level - which probably reflects that, until recently, the demand for tech exposure was so high such a policy wasn't needed.

In the long run, that demand is likely to return, so investors could look at the current PCT discount as almost free leverage to buy into mega-trends. Of course, it isn't really free - fee structures amount to effectively a 1.5 per cent annual reduction in yield (based on five years invested) according to the Key Investor Information Document, but that could prove a price worth paying given there could be significant upside from current valuation levels.

Alpha investment trust strategy – long run performance

As a recap for anyone new to this monthly report, its main aim is to provide investment ideas for readers to consider on their individual merits rather than off-the-shelf portfolios. The strategy (our methodology is detailed in the appendix to this report) used by the Alpha IT reports should also be considered fallible, despite the strong long run showing since launch. At times of market turmoil the system can come a cropper and discount widening is always a danger when investing in trusts: The worst peak-to-trough drawdown the system endured was a stomach-churning 63 per cent fall during the 2007-09 bear market.

Fortunately, as well as illustrating the potential pain, the data also suggests that while the Alpha system does suffer hiccups, overall (and over time), it produces much more value in the good times than it loses in the bad.

It has to be acknowledged, however, that we haven't faced an interest rate tightening environment like we do today in the previous track record of the IT system. As the results in the tables below show, this has been tough on the dynamic monthly value-momentum strategy, although the July to July rebalance track record seems to have stabilised somewhat

Since July 2004	Total return	Annualised rate
Alpha IT	720%	11.8%
Alpha IT 1.5% chg	515%	10.1%
MSCI World	518%	10.1%
FTSE All Share	277%	7.3%
FTSE All Sh/MSCI Wld	388%	8.8%

Source: Thomson Datastream Refinitiv, Investors' Chronicle

Alpha investment trust 10-stock portfolios

Details of the past 10 Alpha Investment Trust 10-stock portfolios can be viewed below. The past year has been a tough one for the strategy, with the 10-stock portfolios mostly lagging the FTSE All-Share and the MSCI World indices.

25-Mar-22			3-May-22		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	-7.60%	Alpha ITs	-	1.10%
MSCI World	-	3.30%	MSCI World	-	2.40%
FTSE All Share	-	4.90%	FTSE All Share	-	4.80%
Schroder Income Gw.Fd.	SCF	5.00%	Worldwide Hlthcr.Tst.	WWH	3.30%
Henderson Far East Inc.	HFEL	-8.50%	Pershing Square (Lon) Holdings	PSH	0.70%
Hg Capital Trust	HGT	-18.60%	Hg Capital Trust	HGT	-14.90%
North American Inc.Tst.	NAIT	-6.00%	Jpmor.Us Smcos.It.	JUSC	-2.00%
Utilico Emerging	UEM	1.60%	Utilico Emerging	UEM	2.80%
Fidelity Asian Values	FAS	13.60%	F&C It.	FCIT	8.40%
Abrdn Asian Income	AAIF	-4.80%	Jpmorgan Glb.G&I.	JGGI	4.40%
Round Hill Music Royalty Fund Limited	RHM	-30.90%	Schroder Income Gw.Fd.	SCF	4.70%
Vietnam Enterprise	VEIL	-28.50%	Alliance Trust	ATST	3.70%
Schroder Orntl.Inc.Fd.	SOI	1.00%	Troy Income & Gw.Tst.	TIGT	-0.50%

Source: Refinitiv Datastream, Investors' Chronicle

13-Jun-22			25-July-22		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	0.60%	Alpha ITs	-	3.80%
MSCI World	-	9.20%	MSCI World	-	3.90%
FTSE All Share	-	9.80%	FTSE All Share	-	7.90%
Fidelity Spc.Values	FSV	10.00%	Avi Japan Opportunity Trust	AJOT	5.00%
Abrdn European	ASLI	-26.90%	Baillie Giff.Shin Nippon	BGS	-5.60%
Jpmorgan European G&I.	JEGI	21.20%	Pacific Assets	PAC	7.90%
Taylor Maritime Invs.	TMI	-13.70%	Jpmorgan Indian It.	JII	1.00%
Tufton Oceanic Assets	SHIP	-8.90%	Abrdn New India Investment Trust	ANII	-4.00%
North Atlantic Smcos.	NAS	-4.20%	Icg Enterprise Trust	ICGT	-10.60%
European	EOT	14.80%	European	EOT	9.70%
Syncona	SYNC	-19.10%	Jpmorgan Asia	JAGI	0.10%
Pacific Assets	PAC	14.60%	Fidelity European	FEV	24.80%
Scottish American	SAIN	18.60%	Schroder Income Gw.Fd.	SCF	9.50%

Source: Refinitiv Datastream, Investors' Chronicle

Continued below

16-Sep-22			21-Oct-22		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	-6.70%	Alpha ITs	-	2.80%
MSCI World	-	1.50%	MSCI World	-	3.20%
FTSE All Share	-	8.70%	FTSE All Share	-	13.60%
Bellevue Healthcare	BBH	-9.50%	Blackrock Lnamer.It.	BRLA	-6.20%
Abrdn New India Investment Trust	ANII	-12.90%	Ashoka India Equity It.	AIE	-10.20%
Jpmorgan Indian It.	JII	-5.70%	Jpmorgan Indian It.	JII	-4.40%
The Scot.Orntl. Smcos.	SST	-0.80%	Riverstone Energy	RSE	-5.40%
Fidelity Japan Trust	FJV	6.30%	Personal Assets	PNL	2.10%
Scottish American	SAIN	14.40%	Harmony Energy Inc.Tst	HEIT	6.00%
Jpmorgan Glb.G&I.	JGGI	10.30%	Henderson Eur.Focus Tst.	HEFT	24.80%
Edinburgh Worldwide It.	EWI	-19.40%	Hend.Eurotr.Ord.	HNE	28.40%
Scottish Mortgage	SMT	-25.90%	Jpmorgan Glb.G&I.	JGGI	11.80%
Baillie Giff.Us Gw.Tst.	USA	-23.50%	Baillie Giff.Us Gw.Tst.	USA	-19.40%

Source: Refinitiv Datastream, Investors' Chronicle

Continued below

2-Dec-22			18-Jan-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	3.20%	Alpha ITs	-	-1.70%
MSCI World	-	1.50%	MSCI World	-	3.50%
FTSE All Share	-	3.80%	FTSE All Share	-	0.20%
Ct Priv.Eq.Tst.	CTPE	15.50%	Tr Property Inv.	TRY	-9.70%
Artemis Alpha Trust	ATS	4.20%	Artemis Alpha Trust	ATS	0.00%
The Scot.Orntl. Smcos.	SST	5.10%	Jpmorgan Mid Cap It.	JMF	-2.60%
Pershing Square (Lon) Holdings	PSH	-7.20%	Hend.Eurotr.Ord.	HNE	4.60%
Aquila European Renewables	AERS	0.40%	Henderson Eur.Focus Tst.	HEFT	3.00%
Fidelity Japan Trust	FJV	-2.40%	Aurora Investment	ARR	0.00%
Jpmorgan Mid Cap It.	JMF	1.90%	Temple Bar	TMPL	-0.70%
Fidelity Spc.Values	FSV	3.80%	Balanced Commercial Property Trust	BCPT	-7.30%
Baillie Giff.Uk Gw.Tst.	BGUK	-0.90%	The European Smcos.Tst.	ESCT	-1.00%
Blackrock Gtr.Eu.It.	BRGE	11.40%	Baillie Gifford	BGEU	-3.20%

Source: Refinitiv Datastream, Investors' Chronicle

Continued below

28-Feb-23			4-Apr-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	-2.00%	Alpha ITs	-	0.90%
MSCI World	-	0.90%	MSCI World	-	0.90%
FTSE All Share	-	-0.70%	FTSE All Share	-	2.30%
Fidelity China Spstn.	FCSS	-8.50%	Fidelity Japan Trust	FJV	-1.70%
Martin Currie Glb.Prtf.	MNP	8.70%	Literacy Capital	BOOK	10.70%
The Scot.Orntl. Smcos.	SST	-1.20%	Polar Capital Tech.Tst.	PCT	-2.00%
Atrato Onsite Energy	ROOF	-9.30%	Jpmorgan Japanese	JFJ	-2.90%
Schroder Orntl.Inc.Fd.	SOI	-2.90%	Allianz Technology Tst.	ATT	0.50%
Princess Private (Lon) Equity Holding	PEY	3.30%	Monks Investment Trust	MNKS	0.50%
Hend.Eurotr.Ord.	HNE	1.70%	Baillie Gifford	BGEU	0.10%
Asia Dragon Trust	DGN	-7.60%	The Bankers Investment Trust	BNKR	-0.40%
Jpmorgan Asia	JAGI	-2.40%	Blackrock Gtr.Eu.It.	BRGE	1.90%
The Bankers Investment Trust	BNKR	-2.00%	Hend.Eurotr.Ord.	HNE	2.30%

Source: Refinitiv Datastream, Investors' Chronicle

Continued below

Appendix: Screening rules

The central idea behind the Alpha strategy is to look for trusts displaying an advantageous mix of value and momentum.

To fairly compare investment trusts with different remits and capital structures, the screen assesses trusts' value relative to their one-year average premium/discount.

This is done using a standardised measure called the Z-score (the number of "standard deviations" the premium/discount is from the mean average). A Z-score can be considered to be pretty cheap when it gets below -1 and extremely cheap at or below -2.

Three-month share price momentum is used as an indicator of sentiment towards trusts and their recent investment success.

The tables in this report show the top 25 investment trusts based on a combined ranking of Z-score and momentum. The 10-stock portfolio, which is what this report focuses on, represents the highest ranking trusts that meet the following portfolio rules:

- Market capitalisation must be more than £100mn.
- No tracker or hedge funds.
- No more than half the portfolio (five out of 10 shares) should have "niche" themes, and no more than two trusts should have the same niche. Trusts defined as niche are those focused on non-mainstream asset classes or sub-sectors, such as private equity, debt, technology and biotechnology; and those focused on single countries (excluding the UK and US) or high-risk economic regions such as emerging markets. We also regard trusts targeting smaller Asian companies as niche, but not generalist Asian equity trusts.
- No more than half the portfolio (five out of 10 shares) should be mainstream trusts of the same type. This rule does not apply to global funds, but it does to other mainstream themes such as trusts investing in the UK (large and small companies), Europe, the US or Asia.
- All trusts must trade at a discount to NAV.

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