

## Alpha investment trust report

16 February 2024

### Can trusts help you double-up on recovery themes?

*If discount-widening is done then investment trusts could offer a double recovery premium on themes that also took a beating in the interest rate hiking cycle. There are risks that haven't gone away, however.*

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We've consistently flagged the flaws in our investment trust screen methodology. It is to be treated as a generator of ideas, not off-the-shelf portfolios. Sometimes there are cyclical market reasons why the value-momentum screen comes unstuck. An example is the discount widening that occurred in 2022 across the sector as interest rates were tightened.

On other occasions, the screen can flag niche trusts in volatile asset classes that subsequently perform very badly. This was certainly the case in January: companies that ranked highly on the screen then have gone on to post double-digit losses. These included **Regional REIT (RGL)**, down by 35 per cent, and **Gresham House Energy Storage Fund (GRID)**, down 43 per cent.

Overall, out of the past 10 "Top Ten" trust portfolios generated by the screen, just one has kept pace with the total returns of the MSCI World index, although nine out of ten (the odd one out is the disastrous January 2024 selection) beat the FTSE All-Share. This month, the screen has picked up on some positive momentum and discounts to net asset value in the Biotech space. Like energy, which came a cropper last month, this is a sector of the economy that requires specialist knowledge to understand and biotech trusts could be very volatile.

For our two featured trusts this month, we've chosen to look at one focusing on smaller UK companies and the other that concentrates on opportunities in Japan. In both cases, investors need to decide if an investment trust is the best way to play the underlying opportunity. In the case of UK small caps, you might wish to pick stocks yourself and Japan may be best invested in using an exchange traded fund (ETF). What trusts have in their favour, however, is the possibility a situation stacks up for the managers' investing philosophies to have a spell of outperformance (that they can use gearing to leverage) and the added kicker of discount closing momentum. It's a call that must be made on a trust's own merits and not a screen, however.

## 10-trust portfolio

Rank	Name	TIDM	Mkt cap (£mn)	Price (p)	Gearing (%)	DY (%)	Z-Score (12-mth)	% Discount (-)/premium to est. NAV				Shares % total returns					
								Now	Avg	most discount	least discount	1m	3m	6m	1y	3y	5y
1	RTW Biotech Opportunities (\$)	RTW	209	126	-2	0.0	-2.2	-34	-25	-37.3	-14.4	-9	15	-1	-6	-48	-
2	Montanaro UK Smaller Cos	MTU	164	98	4	4.6	-1.5	-16	-10	-16.5	-1.9	-2	12	-1	-13	-22	13
2	Worldwide Healthcare Trust	WWH	1781	320	0	1.0	-1.8	-13	-10	-13.3	-5.7	1	11	4	0	-16	24
4	US Solar Fund (\$)	USF	148	56	51	10.1	-0.9	-35	-27	-41.7	-15.7	1	17	-5	-25	-36	-
6	JPMorgan Japanese	JFJ	752	511	12	1.3	-1.4	-7	-8	-11.2	-5.0	2	11	10	7	-26	42
7	Allianz Technology Trust	ATT	1283	331	-3	0.0	-0.5	-15	-12	-15.7	-8.7	10	21	29	41	2	126
8	Int'l Biotechnology Trust	IBT	255	664	4	0.0	-0.5	-11	-8	-12.7	-3.1	1	20	10	-3	-11	29
10	Artemis Alpha Trust	ATS	105	323	13	1.9	-0.7	-16	-13	-22.1	-5.0	-2	16	6	-5	-15	23
12	Martin Currie Global Portfolio	MNP	257	366	3	1.1	-0.7	-4	-1	-4.1	2.2	8	14	10	12	-4	53
20	Fidelity European Trust	FEV	1467	359	13	2.1	-1.3	-10	-6	-9.6	-3.3	3	7	3	7	36	84

Source: Winterflood Securities, as at 14 February 2024 and Morningstar

## Top 25

Rank	Name	TIDM	Mkt cap (£mn)	Price (p)	Gearing (%)	DY (%)	Z-Score (12-mth)	% Discount (-)/premium to est. NAV				Shares % total returns					
								Now	Avg	most discount	least discount	1m	3m	6m	1y	3y	5y
1	RTW Biotech Opportunities (\$)	RTW	209	126	-2	0.0	-2.2	-34	-25	-37.3	-14.4	-9	15	-1	-6	-48	-
2	Montanaro UK Smaller Cos	MTU	164	98	4	4.6	-1.5	-16	-10	-16.5	-1.9	-2	12	-1	-13	-22	13
2	Worldwide Healthcare Trust	WWH	1781	320	0	1.0	-1.8	-13	-10	-13.3	-5.7	1	11	4	0	-16	24
4	US Solar Fund (\$)	USF	148	56	51	10.1	-0.9	-35	-27	-41.7	-15.7	1	17	-5	-25	-36	-
5	Schiehallion (\$)	MNTN	536	66	-16	0.0	-0.8	-45	-38	-57.4	-16.8	-13	18	1	-29	-64	-
6	JPMorgan Japanese	JFJ	752	511	12	1.3	-1.4	-7	-8	-11.2	-5.0	2	11	10	7	-26	42
7	Allianz Technology Trust	ATT	1283	331	-3	0.0	-0.5	-15	-12	-15.7	-8.7	10	21	29	41	2	126
8	Blackstone Loan Financing (€)	BGLF	222	59	-2	15.3	-0.7	-35	-29	-40.8	-14.4	5	17	-3	-11	27	32
8	International Biotechnology Trust	IBT	255	664	4	0.0	-0.5	-11	-8	-12.7	-3.1	1	20	10	-3	-11	29
10	Artemis Alpha Trust	ATS	105	323	13	1.9	-0.7	-16	-13	-22.1	-5.0	-2	16	6	-5	-15	23
10	Third Point Investors (\$)	TPOU	392	2015	0	0.0	-1.5	-23	-19	-24.1	-12.0	3	9	1	-3	-14	40
12	Martin Currie Global Portfolio	MNP	257	366	3	1.1	-0.7	-4	-1	-4.1	2.2	8	14	10	12	-4	53
13	Weiss Korea Opportunity	WKOF	114	165	-2	3.2	-2.0	-6	-1	-7.9	6.6	4	7	-5	-13	-39	26
14	Bellevue Healthcare Trust	BBH	697	151	-2	0.0	-0.1	-8	-7	-11.9	33.4	-2	25	2	-6	-14	27
15	Foresight Sustainable Forestry	FSF	134	78	-2	0.0	-0.5	-21	-14	-40.0	4.8	20	16	-24	-27	-	-
16	Impax Environmental	IEM	1055	383	6	1.2	-1.4	-11	-6	-10.4	1.3	1	8	-4	-13	-20	45
17	Montanaro European Smaller Cos	MTE	250	132	3	0.7	-0.5	-15	-13	-16.5	-8.4	2	13	1	-8	-20	58
18	abrdn European Logistics Income	ASLI	243	59	56	8.1	-0.5	-32	-30	-42.7	-15.3	7	13	-12	-20	-41	-23
19	Augmentum Fintech	AUGM	170	100	-19	0.0	0.0	-38	-37	-50.8	-29.8	-7	19	-2	-8	-34	-4
20	Fidelity European Trust	FEV	1467	359	13	2.1	-1.3	-10	-6	-9.6	-3.3	3	7	3	7	36	84
21	Utilico Emerging Markets	UEM	433	225	5	3.8	-2.1	-17	-15	-18.3	-12.4	-3	4	3	8	23	25
22	JLEN Environmental Assets	JLEN	655	99	40	7.6	-0.6	-17	-13	-30.2	-1.1	-1	11	1	-14	4	22
23	Aquila Euro Renewables Inc. Fund (€)	AERI	247	77	48	7.2	-1.3	-25	-19	-29.3	-10.5	-7	7	-9	-18	-18	-
24	Henderson Smaller Cos	HSL	571	764	12	3.4	-0.6	-15	-12	-15.0	-8.7	-5	10	7	-10	-23	7
25	Global Smaller Cos Trust	GSCT	727	143	4	1.6	-1.6	-17	-13	-17.7	-9.6	-2	5	-2	-8	0	15

Source: Winterflood Securities, as at 14 February 2024 and Morningstar

Continue below to read about this month's featured trusts

## Montanaro UK Smaller Companies (MTU)

Name	TIDM	Mkt Cap	Price	DY	Gearing
Montanaro UK Smaller Companies	MTU	£164mn	98p	4.6	3.8
<b>Discount to NAV</b>					
<b>Z-Score</b>	<b>Now</b>	<b>Avg.</b>	<b>Low</b>	<b>High</b>	
-1.5	-16.4	-10.1	-16.6	-1.9	
<b>Share Price Performance</b>					
<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>1y</b>	<b>3y</b>	<b>5y</b>
-1.6	11.7	-0.9	-12.8	-22.1	13.0

Source: Winterflood Investment Trusts (14.02.2024)

The performance of UK small cap stocks in 2023 depended on where you looked going by the Deutsche Numis indices. The DNSCI index, comprising the bottom 10 per cent of UK main market listed companies by market capitalisation, made 10.1 per cent total returns (excluding investment companies) in the calendar year. By contrast, Aim-listed companies had a poor year, with the junior market significantly dragging on the performance of the DNSC + AIM (excl. IC) index: it only made 3.2 per cent.

In fact, although the DNSC excl. IC is the benchmark for **Montanaro UK Smaller Companies (MTU)** trust, some of the trust's top holdings would rank more as small mid-caps according to the index methodology. The upper cut-off for the DNSC was £1.708bn in 2024 (£1.621bn in 2023), so the likes of **Big Yellow (BYG)**, **Diploma (DPLM)**, **Games Workshop (GAW)** and **Greggs (GRG)** are now too big to be included in the small companies index.

There is more than a casual observation, given the trust's investment policy. This stipulates that, along with being profitable, companies' market caps must not exceed the benchmark's upper cut-off limit at the time of initial investment. It follows that many of the fund's top holdings that now exceed the benchmark size limit have been winners the managers have understandably allowed to run over time.

This is great when you think of the calendar year total returns for the likes of industrial support services business Diploma (32 per cent TR in 2023), fantasy gaming and hobby retailer Games Workshop (20 per cent) and fast food retailer Greggs (13 per cent). When one looks at the overall portfolio in 2023, however, it invites questions: what dragged performance down? Are there recovery stories; or are there any value traps lurking in there?

In 2023, the net asset value (NAV) of the trust's portfolio was up 4.1 per cent, a considerable undershoot of both its benchmark and Deutsche Numis's mid-cap index (excl. Investment companies), which was up 13.3 per cent. Given these comparators, the narrative that the UK stock market is unloved isn't really an excuse for active fund managers, although the Aim market had another horrible year, down by 7.2 per cent.

All the same, investors should expect any strategy to have periods of underperformance. The salient question in 2024 is whether MTU is positioned in the cycle to beat its benchmark strongly from this point. Fund manager Charles Montanaro, who's eponymous asset management firm

launched the MTU trust in 1995, is banking his focus investing in quality smaller companies at a reasonable price will bear fruit.

## Montanaro UK Smaller Companies top holdings

Name	% Port
Big Yellow (BYG)	5.7
4Imprint (FOUR)	5.3
Diploma (DPLM)	5.0
Games Workshop (GAW)	4.6
Bytes Technology Group (BYIT)	4.6
discoverIE (DSCV)	4.1
Greggs (GRG)	4.0
Kainos (KNOS)	3.9
Marshalls (MSLH)	3.9
XPS Pensions (XPS)	3.8
<b>Total</b>	<b>44.9</b>

Source: MTU FactSheet 29.12.2023

In the update to mid-year 2023 (written on 23 November) Montanaro emphasised the portfolio “is home to quality companies with strong balance sheets (54 per cent have net cash) and a track record of solid earnings growth, all at what we consider to be an attractive valuation.”

The final quarter of the calendar year in 2023, saw the portfolio NAV return broadly in line with the benchmark, both around 8.3 per cent. Buoyed by this and softening interest rate expectations towards the end of last year, the share price has had strong three month momentum, earning it a place on our screen, although this has come off in the past month.

At the end of December, the portfolio was rated on 17.5x FY2024 earnings on a forecast EPS growth rate of 6.6 per cent. This equates to a price-to-earnings growth (PEG) ratio of 2.65x - which would suggest the portfolio is expensive rather than attractively valued. If the investment case is instead based on a longer view of earnings growth, investors may conclude there is no rush to invest before signs of an upgrade cycle for smaller UK-listed companies.

More immediately, it seems the case to invest would rely on a general re-rating for UK stocks (and investment trust discounts) and not on visibly strong earnings growth prospects of companies in the portfolio. Given the portfolio is fairly concentrated, at the half-year stage in 2023 it had over 70 per cent of NAV in the top 20 stocks, small-cap enthusiasts with the stomach for higher risk that goes with the territory, may reasonably conclude they'd rather pick stocks for themselves.

Beating the market is very hard to do in this space. Most returns from small caps tend to come from a few concentrated winners, and picking them takes luck as well as skill. For the talent part of the equation, MTU has an ongoing charge of 0.94 per cent and a 0.5 per cent annual management charge. Investors get their money's worth in terms of effort, given the fund has an active share (the proportion of holdings that deviate from benchmark weights) of over 90 per cent. Using the

strictest regulatory guidance (the reduction in yield from the KIID) to interpret the impact of charges, the expected drag on returns is about 1.52 per cent annually over one, three or five years.

## JP Morgan Japanese (JFJ)

Name	TIDM	Mkt Cap	Price	DY	Gearing
JPMorgan Japanese	JFJ	£752mn	511p	1.3	11.8
<b>Discount to NAV</b>					
<b>Z-Score</b>	<b>Now</b>	<b>Avg.</b>	<b>Low</b>	<b>High</b>	
-1.4	-6.8	-8.2	-11.2	-5.1	
<b>Share Price Performance</b>					
<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>1y</b>	<b>3y</b>	<b>5y</b>
2.0	10.7	9.9	6.6	-26.0	41.7

Source: Winterflood Investment Trusts (14.02.2024)

In recent times the UK market has often been written about, not always fairly, as a poor relation. By contrast, over the past year Japan has been feted as a golden child.

Japan disappointed a generation of investors after its bubble burst in 1989: the lost decade in the 1990s has been followed by many false starts having been touted on loop by deep value enthusiasts for the past two decades. In 2023, however, Japan was one of the top performing stock markets in the world. In local currency terms, constituents of the benchmark TOPIX index delivered 28 per cent total returns, which in US dollar terms was still about 20 per cent.

When there has been strong momentum behind countries with large and liquid stock markets, investors should ask themselves two questions. The first is whether the momentum for the target market will continue. The second question is, on a practical level, could you ride the continued uptrend cheaply and effectively by using an exchange traded fund (ETF) rather than a more expensive managed vehicle like an investment trust.

The case for trusts is timing the moments when their active strategies could have a spell of out-performance and also when conditions are conducive for trust discounts to narrow on the UK market.

In 2023, **JP Morgan Japanese (JFJ)**, made total share price returns of just over 9 per cent. A good performance given the UK-listed trust shares are to an extent hostage to sentiment towards their parent market. Due to the UK market beta, a growing dividend is important for investors' total returns to reflect positivity in Japan where the trust generates return on its assets. On this score JFJ has grown its pay-out each year since 2019, at a compounded annual rate of 6.8 per cent.

The trust's net asset value has performed well in 2022-23, up 12.3 per cent, although this lagged the TOPIX benchmark by fifty basis points (bips). The cost of investing in JFJ is an ongoing annual charge of 0.74 per cent (74 bips) and an annual management charge that breaks down as 65 bips on total fund assets under management up to £465mn, 48.5 bips on £465mn-£900mn and 40 bips on assets beyond the £900mn mark. The estimate for reduction in yield due to charges - the measure stipulated by regulators for KIID documents - suggests that, assuming an investment of £10,000, all fees would lead to a RIY of 1.12 per cent annually over a one, three or five year timeframe.

Compare this to an ETF - **iShares Core MSCI Japan ETF (SJPA)** which returns in US dollars made sterling investors almost 13 per cent in 2023 and its total expense ratio (TER) is just 12 basis points. **The UBS MSCI Japan ETF (UBOD)** which is GBP hedged to the yen (and therefore the weak yen didn't cause some gains to be lost in translation) saw returns of its index made over 30 per cent and its costs are listed on Hargreaves Lansdown's website as being 29 basis points.

It's certainly more cost effective to invest passively, so the reason to go with an active option like JFJ is because there are periods when manager's strategies do deliver marked outperformance. This was the case both in 2018-19 and 2019-20 although the reverse was true in 2021-22.

Portfolio managers Nicholas Weindling and Miyako Urabe back a long-term quality growth oriented strategy. These styles weren't favoured by markets after the end of 2021 - even though Japanese monetary policy has famously remained loose compared to other developed countries - the international reassessment of expensively valued technology businesses after most central banks began tightening rates hit JFJ's portfolio ratings.

The divergent monetary policies have caused the trust managers other problems. Due to the yen's weaker performance notably against the US dollar, lower quality export-led cyclical businesses have benefitted, this has helped the 'value' factor drive returns in Japan.

Furthermore, Weindling and Urabe wrote in JFP's 2023 annual report that the perception (in their view an incorrect one) lowly valued companies would be disproportionate beneficiaries of ongoing corporate governance reform in Japan has helped the value factor outperform. The managers argue that their premium and quality holdings are also initiating reforms that will make them leaner and see more returns of capital to shareholders. For quality compounders, there is a strong argument that the discipline of paying a dividend also improves capital allocation decisions and ultimately benefits efficiency, productivity and, in a virtuous circle, capital growth.

In terms of the top holdings, as of the 31 December 2023 FactSheet, household names in electrical and industrial goods like Sony and Hitachi were prominent. In the case of Hitachi, its position as a world leader in many technologies central to the clean energy transition places it at the fore of a global mega-trend.

Another prominent holding is Keyence, a precision industrial automation systems

manufacturer which is notable for its innovative integrations of artificial intelligence (AI) in the sensors, measuring instruments and machine vision systems it builds. Other top positions include Shin-etsu Chemical and insurance business Tokio Marine.

Partly due to the selling-off of growth stocks in 2022, and partly thanks to active decisions in response to be more circumspect towards valuation, the average 12-month forward PE of the portfolio was 20x as of 30th September 2023, compared to 36x two years prior. For the TOPIX index the respective figures were 14x down from 15x.

For growth to see a sustainable uptrend, there must be some momentum in earnings per share growth and the confidence of the market that this will occur - so earnings upgrade momentum will be important, too. As the table (below) shows, many of JFJ's holdings aren't expected to see strong EPS growth in their current financial years. This may suggest potential for re-rates if the economic situation around the world proves better than some expect. That may be necessary at current valuations, so the trust isn't over-reliant on multiple expansion to see its NAV return to outperformance.

## JP Morgan Japanese top holdings

			EPS growth forecasts	
			Current unreported year	Following year
Sony (JP:6758)	6.6	17.6	-5%	15%
Keyence (JP:6861)	5.7	41.1	-1%	10%
Shin-etsu Chemical (JP:4063)	5.1	19	-20%	13%
Tokio Marine (JP:8766)	5	13.8	56%	3%
OBIC (JP:4684)	4.3	32	13%	10%
Tokyo Electron (JP:8035)	4.2	38.1	-31%	30%
Hitachi (JP:6501)	3.8	18.7	-13%	8%
Hoya (JP:7741)	3.7	32.5	5%	13%
Itochu (JP:8001)	3.5	11.2	4%	5%
Recruit Holdings (JP:6098)	3.4	29	18%	3%

Source: JP Morgan Japanese factsheet (31.12.2023), FactSet

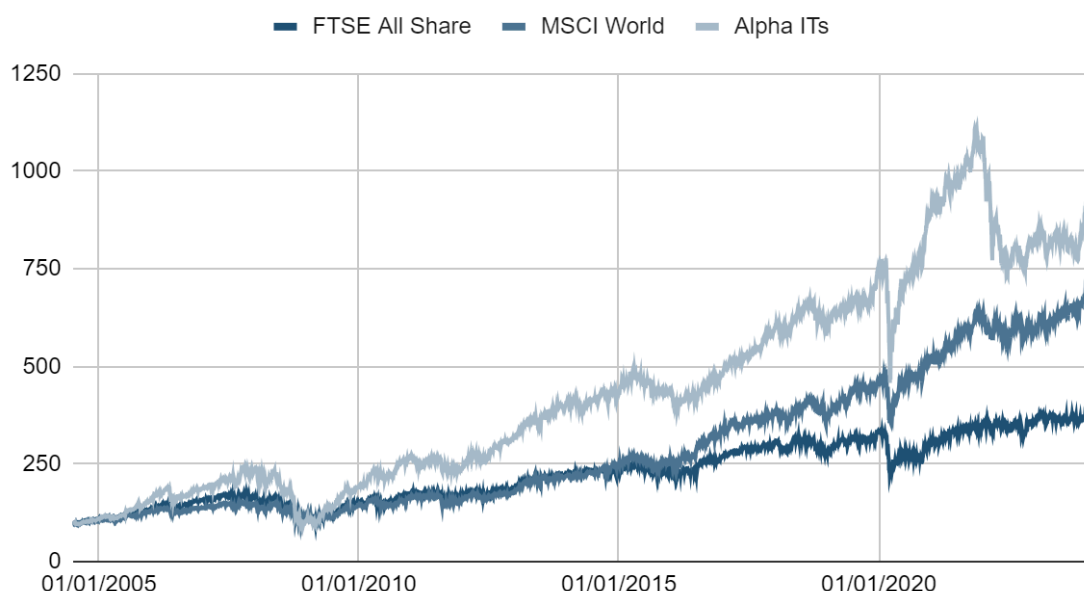
If the circumstances are ripe in 2024, there are advantages for JFJ and the investment trust structure. As well as the potential for discount narrowing trends if the UK stock market picks up (thus helping trust share prices), the trust can use financial gearing to leverage the performance of its Japanese investment base.

The portfolio managers work within a framework of having a maximum 5 per cent net cash or employing up to 20 per cent net gearing - latest figures show gearing around 12 per cent. The trust has a ¥10bn revolving credit facility with Industrial and Commercial Bank of China's London branch and ¥5bn with Mizuho Bank, plus ¥13bn of long-term secured loan notes. The earliest due for repayment is ¥2bn in August 2028.

One final point to note is the presence of activist investment group City of London on the share register - owning 10 per cent of the shares outstanding. Sometimes having a strong voice like that can be good for retail investors as it keeps pressure on the management of a trust to justify their strategy and deliver solid performance. This must be weighed up against the obvious risk of big institutional investors forcing the agenda in a way that isn't best for smaller retail shareholders.

## Alpha investment trust strategy – long run performance

### Alpha IT long-term performance



Source: Investors' Chronicle, LSEG

As a recap for anyone new to this 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.

Most recently, the interest rate tightening environment of the past two years was something the strategy hadn't faced before. This was tough on the dynamic

monthly value-momentum “Top Ten” portfolios (although these are idea generators and aren’t meant as portfolios, although more recently these are performing better against FTSE All-Share index benchmark, but still struggle against the US-dominated MSCI World, as the tables below show.

Since expectations for interest rates have become less hawkish, the July to July rebalance track record has improved markedly, which reinforces the hardly revolutionary impression this type of investing system performs best in easing environments.

The experience of 2021-23 should discourage investors from treating this investment trust report as a foolproof way of picking sure winners, but what it does do is highlight ideas that may have some technical tailwinds that could come to fruition if the underlying investment philosophy and management of the trusts stacks up.

## Strategy Jul-Jul rebalancing performance

Since July 2004	Total return	Annualised rate
Alpha IT	822%	12.0%
Alpha IT 1.5% charge	582%	10.3%
MSCI World	624%	10.6%
FTSE All Share	275%	7.0%
FTSE All Sh/MSCI Wld	399%	8.5%

Source: LSEG, Investors’ Chronicle

Recent trust portfolios below

## Alpha investment trust 10-stock portfolios

Details of the past 10 Alpha Investment Trust 10-stock portfolios can be viewed below. Most "Top 10s" have recovered to outperform the FTSE All-Share index but the majority still lag the MSCI World.

18-Jan-23			28-Feb-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	6.40%	Alpha ITs	-	0.70%
MSCI World	-	22.10%	MSCI World	-	19.00%
FTSE All Share	-	0.90%	FTSE All Share	-	0.00%
Tr Property Inv.	TRY	4.50%	Fidelity China Spstn.	FCSS	-23.40%
Artemis Alpha Trust	ATS	3.90%	Martin Currie Glb.Prtf.	MNP	17.60%
Jpmorgan Mid Cap It.	JMF	4.00%	The Scot.Orntl. Smcos.	SST	13.60%
Hend.Eurotr.Ord.	HNE	13.50%	Atrato Onsite Energy	ROOF	-16.80%
Henderson Eur.Focus Tst.	HEFT	16.80%	Schroder Orntl.Inc.Fd.	SOI	-1.90%
Aurora Investment	ARR	15.10%	Princess Priv.Eq.Hldg.	PEY	17.70%
Temple Bar	TMPL	2.00%	Hend.Eurotr.Ord.	HNE	10.30%
Balanced Commercial Property Trust	BCPT	-3.70%	Asia Dragon Trust	DGN	-11.40%
The European Smcos.Tst.	ESCT	4.50%	Jpmorgan Asia	JAGI	-5.00%
Baillie Gifford	BGEU	3.20%	The Bankers Investment Trust	BNKR	6.60%

Source: LSEG, Investors' Chronicle

Continued below

4-Apr-23			5-May-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	19.00%	Alpha ITs	-	4.70%
MSCI World	-	19.00%	MSCI World	-	18.60%
FTSE All Share	-	3.00%	FTSE All Share	-	0.40%
Fidelity Japan Trust	FJV	2.60%	Literacy Capital	BOOK	3.60%
Literacy Capital	BOOK	20.70%	Worldwide Hlthcr.Tst.	WWH	-0.40%
Polar Capital Tech.Tst.	PCT	44.80%	Aquila European Renewables	AERS	-18.80%
Jpmorgan Japanese	JFJ	12.70%	Personal Assets	PNL	-0.80%
Allianz Technology Tst.	ATT	51.60%	Warehouse Reit	WHR	-17.40%
Monks Investment Trust	MNKS	14.30%	Polar Capital Tech.Tst.	PCT	44.70%
Baillie Gifford	BGEU	6.80%	The Bankers Investment Trust	BNKR	7.70%
The Bankers Investment Trust	BNKR	8.30%	Jpmorgan Claverhouse	JCH	1.30%
Blackrock Gtr.Eu.It.	BRGE	17.30%	Jpmorgan American It.	JAM	33.00%
Hend.Eurotr.Ord.	HNE	10.90%	Dunedin Income	DIG	-5.80%

Source: LSEG, Investors' Chronicle

Continued below

9-Jun-23			3-Aug-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	10.00%	Alpha ITs	-	10.80%
MSCI World	-	15.30%	MSCI World	-	12.00%
FTSE All Share	-	2.60%	FTSE All Share	-	2.80%
Blackrock Lnamer.It.	BRLA	2.60%	Fair Oaks Income	FAIR	17.50%
Personal Assets	PNL	2.20%	Manchester & London It.	MNL	41.70%
Triple Pnt.Scl.Hsg.Reits	SOHO	1.60%	Templeton Emrg.Mkts.It.	TEM	-0.70%
3I Infrastructure	3IN	5.80%	Monks Investment Trust	MNKS	10.20%
Utilico Emerging	UEM	4.30%	Blackrock Lnamer.It.	BRLA	-3.60%
The Bankers Investment Trust	BNKR	9.10%	Brown Advisory Us	BASC	10.70%
Polar Capital Tech.Tst.	PCT	29.40%	Scottish Mortgage	SMT	13.10%
Baillie Giff.Us Gw.Tst.	USA	23.30%	Avi Global Trust	AGT	19.40%
Dunedin Income	DIG	-3.50%	Rtw Biotech Opportunitie	RTW	0.00%
Jpmorgan American It.	JAM	25.50%	Edinburgh Worldwide It.	EWI	-0.30%

Source: LSEG, Investors' Chronicle

Continued below

14-Sep-23			18-Oct-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	6.10%	Alpha ITs	-	9.50%
MSCI World	-	9.60%	MSCI World	-	11.90%
FTSE All Share	-	0.40%	FTSE All Share	-	2.40%
Mobius Investment	MMIT	2.90%	Vinacapital Vietnam	VOF	1.00%
Vietnam Enterprise	VEIL	-4.40%	Mobius Investment	MMIT	11.50%
The Bankers Investment Trust	BNKR	7.50%	Brunner Investment Trust	BUT	15.50%
North American Inc.Tst.	NAIT	5.10%	The Scot.Orntl. Smcos.	SST	5.30%
Pacific Horizon	PHI	0.80%	Pershing Square (Lon) Holdings	PSH	29.80%
Personal Assets	PNL	0.20%	Abrdn Chin.Inv.Co.	ACIC	-3.90%
Alliance Trust	ATST	10.60%	The Bankers Investment Trust	BNKR	11.80%
Sts Global Income & Growth Trust	STS	1.90%	F&C It.	FCIT	13.60%
Twentyfour Select	SMIF	15.90%	North American Inc.Tst.	NAIT	7.20%
Baillie Giff.Us Gw.Tst.	USA	20.10%	Murray Income Trust	MUT	3.20%

Source: LSEG, Investors' Chronicle

Continued below

27-Nov-23			5-Jan-24		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	3.60%	Alpha ITs	-	-11.60%
MSCI World	-	9.90%	MSCI World	-	7.00%
FTSE All Share	-	2.50%	FTSE All Share	-	-0.90%
Aurora Investment	ARR	9.20%	Regional Reit	RGL	-35.30%
Bluefield Solar	BSIF	-9.60%	Gresham House Energy Storage Fund	GRID	-42.70%
Vinacapital Vietnam	VOF	-3.30%	Ecofin Glb.Utilis.&Infr.	EGL	-8.50%
Brunner Investment Trust	BUT	12.90%	Gore Street En.Strg.Fd.	GSF	-26.70%
Dwn.Renews.& Infr.Tst.	DORE	-0.50%	Jpmorgan Japanese	JFJ	8.30%
F&C It.	FCIT	10.70%	The Bankers Investment Trust	BNKR	4.60%
Hicl Infrastructure	HICL	-10.20%	Schroder Income Gw.Fd.	SCF	-8.10%
Jpmor.Gemm.Inu.	JEMI	5.70%	Murray Intl.	MYI	-3.60%
Dunedin Income	DIG	0.80%	Fidelity Spc.Values	FSV	-1.60%
Allianz Technology Tst.	ATT	20.40%	Blackr.Sust.Amer.	BRSA	-1.90%

Source: LSEG, Investors' Chronicle

## 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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ISSN 0261-3115.