

## Alpha investment trust report

22 October 2024

### Can investors trust in a sustained China rally?

*China's new rounds of economic stimulus have had a sugar rush effect on its stock markets, but the pattern of pauses and stutters hints at markets having some reservations about long-term growth. Given its demographic troubles, and the structural challenges to a financial system where municipalities carry enormous debt, there are plenty of reasons to be cautious. Some of China's companies could, however, still have a compelling growth story: the question is whether the communist party will loosen the shackles enough for them to realise their full potential.*

Report author: **James Norrington**

This month's featured trusts focus on two areas where there has been much talk of recovery potential. The first trust, **Fidelity China Special Situations (FCSS)**, is included shortly after Chinese equities have benefited from the announcement of significant monetary and fiscal policy stimulus. Questions remain and China faces significant structural issues: a worsening demographic profile, vast municipal and local government debts, more protectionism by the USA and to a lesser extent by the European Union, and the communist party's unease with allowing the best Chinese companies off the leash to fulfil their potential.

Such problems are hard to shrug off and Chinese equities have fallen back from the initial sugar rush. All eyes will be on whether the measures to restore confidence in the property sector filter through to the Chinese consumer and encourage them to spend their savings piles - their reticence to do so having raised the spectre of deflationary pressures.

Our second trust **Henderson High Income (HHI)** concentrates on the UK market (with some overseas holdings) and invests in some fixed income securities as well as shares. This trust has an optimistic outlook on the UK stock market, expecting an easing of interest rate pressures that will be helpful to valuations and UK focussed businesses. There are concerns here too, however, with the UK's fiscal burden, tax and regulatory pressures potentially a drag on the recovery and growth prospects of the British economy. That said, the trust's focus on companies with balance sheet strength, quality earnings and steady cash flows does support the trust in paying an attractive dividend.

As a strategy our investment trust value-momentum screener is still performing poorly, reaffirming that the best way to view it is as a source of ideas. There is still too much of a tendency to whipsaw in and out of market fads and the last trust portfolio has been caught out again by a tendency to pick out short-term spikes in sentiment towards sectors that struggle to sustain the market's positive conviction.

## 10-trust portfolio

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
Fidelity China Special Situations	FCSS	1068	208	21	3.1	-2.9	-14.3	-10	-14.9	-6.0	20	8	7	4	-31	10
JPMorgan China Growth & Income	JCGI	184	222	4	5.0	-2.1	-14.6	-10	-14.9	-4.2	21	8	9	1	-51	-8
Finsbury Growth & Income	FGT	1422	856	1	2.3	-1.9	-9.8	-8	-10.3	-4.7	1	4	6	6	4	8
abrdn Asia Focus	AAS	427	282	13	3.1	-2.9	-18.9	-16	-19.7	-13.3	2	2	7	15	11	54
Scottish Oriental Smaller Cos Trust	SST	346	1475	2	0.9	-1.6	-17.8	-15	-18.6	-9.9	1	4	10	14	30	58
Henderson High Income	HHI	281	164	22	6.5	-1.8	-11.0	-9	-11.1	-4.6	-2	3	10	15	21	30
JPMorgan Emerging Markets	JMG	1190	109	3	1.7	-2.6	-14.3	-11	-14.3	-7.2	3	1	9	10	-12	19
JPMorgan American	JAM	1843	1026	4	0.8	-1.5	-3.8	-1	-5.8	2.1	4	3	8	28	51	134
Nippon Active Value	NAVF	346	183	-5	0.9	-1.0	-6.4	-4	-10.4	0.7	2	6	9	27	45	-
Fidelity Asian Values	FAS	360	512	8	2.8	-1.6	-11.8	-9	-14.5	-4.3	7	2	2	7	17	40

Source: Winterflood Securities, Morningstar 18.10.2024

## Top 25

Name	TIDM	Mkt cap (£mn)	Price (p)	Gearing (%)	DY (%)	Z-score (12-mth)	% discount (-)/premium to est. NAV				Shares % total returns					
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JPMorgan China Growth & Income	JCGI	184	222	4	5.0	-2.1	-15	-10	-14.9	-4.2	21	8	9	1	-51	-8
Baillie Gifford China Growth Trust	BGCG	128	215	3	0.9	-1.4	-13	-11	-14.8	-6.2	21	13	13	5	-44	-31
Finsbury Growth & Income	FGT	1422	856	1	2.3	-1.9	-10	-8	-10.3	-4.7	1	4	6	6	4	8
abrdn Asia Focus	AAS	427	282	13	3.1	-2.9	-19	-16	-19.7	-13.3	2	2	7	15	11	54
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Fidelity Asian Values	FAS	360	512	8	2.8	-1.6	-12	-9	-14.5	-4.3	7	2	2	7	17	40
India Capital Growth	IGC	163	190	-1	0.0	-1.0	-11	-7	-15.4	2.8	1	4	14	19	47	165
Diverse Income Trust	DIVI	215	91	-5	4.7	-1.1	-9	-8	-10.9	-4.2	1	4	8	21	-8	28
STS Global Income & Growth Trust	STS	295	232	5	2.8	-0.8	-2	-1	-3.5	1.5	2	8	11	10	19	36
Edinburgh Investment Trust	EDIN	1107	749	2	3.6	-2.0	-11	-9	-12.0	-6.7	-1	0	10	16	37	55
Invesco Asia	IAT	217	334	1	4.2	-1.2	-14	-12	-15.6	-8.6	6	2	12	14	8	53
Third Point Investors (\$)	TPOU	317	2290	0	0.0	-1.1	-23	-21	-26.4	-16.0	2	2	1	21	-23	41
Impax Environmental Markets	IEM	980	392	6	1.2	-1.7	-13	-10	-13.0	-6.4	1	1	3	9	-21	34
JPMorgan Global EM Income	JEMI	385	134	10	4.0	-1.8	-13	-12	-14.1	-10.4	4	0	6	15	7	27
Schroder AsiaPacific	SDP	781	536	4	2.2	-2.3	-14	-12	-15.2	-9.1	3	-1	9	15	-2	36
Life Science REIT	LABS	142	41	33	4.9	-0.1	-46	-45	-61.4	-21.1	30	19	8	-38	-	-
Ruffer Investment Company	RICA	945	274	-3	1.9	-1.0	-6	-5	-7.4	-2.7	-1	2	3	4	-5	31
City of London	CTY	2160	437	4	4.7	-1.0	-2	-1	-3.6	1.5	-1	2	12	18	31	33
BlackRock Sustainable American Inc.	BRSA	141	193	0	4.1	-1.8	-13	-10	-13.6	-6.3	-2	0	2	12	15	30
abrdn Diversified Income & Growth^	ADIG	132	44	-8	101.5	-0.9	-34	-31	-40.0	-23.2	2	2	13	19	2	4

Source: Winterflood Securities, Morningstar 18.10.2024

^ Denotes a fund in (proposed) wind-down, realisation or rollover

Continue below to read about this month's featured trusts

## Fidelity China Special Situations (FCSS)

Name	TIDM	Mkt Cap (£mn)	Share price	DY (%)	Gearing (%)
Fidelity China Special Situations	FCSS	1,068	208p	3.1	21.4
<b>% Discount to NAV</b>					
<b>Z-Score</b>	<b>Now</b>	<b>Avg.</b>	<b>Low</b>	<b>High</b>	
	-2.9	-14.3	-9.9	-14.9	-6.0
<b>Shares % Total Return performance</b>					
<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>1y (TR)</b>	<b>3y (TR)</b>	<b>5y (TR)</b>
20.4	8.3	6.9	3.8	-31.1	9.8

Source: Winterflood Investment Trusts (18.10.2024)

While welcoming China's recent policy moves in the September factsheet review, **Fidelity China Special Situations (FCSS)** portfolio manager Dale Nicholls made the caveat that additional fiscal policy support is required in order to help unlock Chinese households' pent-up consumption potential. In October, finance minister Lan Fo'an's announcement of vast central government support for local property sectors showed the intent to do just that, with 2.3 trillion yuan (c.\$325.17bn) in special purpose bonds to help local governments clear debts owed to state-owned enterprises and get back to investing in growth.

The MSCI China index, which is the benchmark for FCSS, has been highly volatile since the beginning of September - more than four times so than the MSCI World index of developed market equities - and is down for October so far. This demonstrates the ongoing uncertainty for investors in China but also highlights that Nicholls' point from September, that Chinese equities still offer upside from a valuation perspective, isn't out-of-date if you believe the fundamental case is bullish.

Macro sentiment has largely driven flows into Chinese shares on the back of stimulus programmes, so it has been hard for funds to outperform the index if the weights of their top holdings differ significantly from the benchmark. In the case of FCSS, the fund net asset value (NAV) total return of 8.8 per cent for the discreet 12-mth period to the end of September 2024 was behind the 12.7 per cent made by the MSCI China. The trust's shares delivered 8.7 per cent total returns in that time.

Differences to the benchmark include being underweight (i.e., held as a smaller percentage of total NAV than the stock's market cap weight in the benchmark) more famous Hong Kong listed names like **Alibaba (HK:9988)**, **Tencent (HK:0700)** - which are still both holdings - and **JD.com (HK:9618)** which isn't held (although the e-commerce business is apparently on the watchlist of famous investor Michael Burry, according to website Insider Monkey). Prospective investors will be more reassured by FCSS shunning property-exposed index constituents like Shanghai-listed **China Construction Bank (CN:601939)**.

Should stimulus measures kick off renewed strong growth then it is possible that the more granular focus of FCSS - which also invests in medium-sized companies and some that are unlisted

- could bear fruit. Those holdings include TikTok owner ByteDance which comprises 2.7 per cent of the portfolio. What the trust does about this holding will be interesting in the count-down to January 2025, when ByteDance could be forced to sell its prize asset or risk the app being banned in the US under legislation passed last April. Although it is possible that US lawmakers might review their approach after America's presidential and congressional elections.

## Fidelity China Special Situations holdings

Name	% Portfolio NAV	Weight in MSCI China index
Tencent Holdings	12.9	16.3
Ping An Insurance	6.1	2.1
Alibaba Group Holding	5.1	9.4
PDD Holdings	4.3	4.1
Meituan	2.9	4.8
ByteDance	2.7	0
<a href="#">Pony.ai</a>	2.4	0
Tuhu Car	2.1	0
Crystal International Group	2.0	0
China Foods	1.9	0
<b>Total</b>	<b>42.4</b>	

Source: Fidelity China Special Situations Fact Sheet 30/09/2024

One of the big overweight positions for the trust is **Ping An Insurance (CN:601318)** which Nicholls likes thanks to its growth potential in consumer finance. Risks to the investment case include the potential spillover of weak consumer confidence from the property sector to reduce demand for financial services. The government's move to sure-up property is indirectly good for Ping An, and it has performed well on a sixth month basis (up over 40 per cent). This type of conviction play is perhaps a more circumspect way to invest in the financial sector than China's biggest banks.

Another unlisted investment is Pony.ai, which is a leader in autonomous mobility solutions including Robotaxi and autonomous driving. The potential risks are regulatory and consequently the speed at which such technology can be rolled out at scale, but it is an interesting foothold to have established.

The cost of the trust, including annual management fees is approximately 0.88 per cent a year plus transaction charges of around 0.54 per cent. For the 2023-24 financial year, using the calculation methodology recommended by the Association of Investment Companies (AIC), the total ongoing charges ratio including the variable management fee came in at 1.13 per cent.

That's not expensive relative to other China investment trusts but is more expensive than the 0.59 per cent you'd pay to invest in the **iShares MSCI China ETF (MCHI)**. Where a trust could be worth

the extra is not only in terms of the manager's active decisions outperforming but also the ability of the trust to use gearing to amplify NAV performance. The trust does this extensively - primarily via contracts for difference (CFDs), which are a cheaper source of leverage than financial loans - typically to the tune of 10 to 25 per cent of net assets. So current gearing is relatively high.

The cumulative five-year annualised rate of growth for NAV is 8.1 per cent, twice that of the index. Investors will be looking at the trust's share price for their returns, so the potential for the discount to close as UK interest rates fall and give positive momentum to London-listed investment companies' shares, is also something to be considered. Like all trusts, discount widening has been a headache for FCSS, one it has tried to mitigate through buybacks purchasing £46mn of shares in its 2023-24 financial year. Buybacks have continued into 2024-25.

Cyclical issues for investment trusts as a fund vehicle appear to be easing, so the question for potential investors in China is more of a structural one. There are risks on the horizon - not least how China will interact with a new US president - but long-term success for China could rest more on technology alleviating difficulties associated with a growing number of elderly. That said, investing in those areas could provide good long-term returns. In the shorter term, the potential of China's pent-up saving from the Covid-19 pandemic to provide a boost to consumer facing stocks may well drive China stocks higher, so long as the market is assured by government efforts to shore up vulnerable sectors like property.

## Henderson High Income (HHI)

Name	TIDM	Mkt Cap	Price	DY (%)	Gearing (%)
Henderson High Income	HHI	£281mn	164p	6.5	21.6
<b>Discount to NAV (%)</b>					
<b>Z-Score</b>	<b>Now</b>	<b>Avg.</b>	<b>Low</b>	<b>High</b>	
	-1.8	-11.0	-8.7	-11.1	-4.6
<b>Share Price Performance (%)</b>					
<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>1y (TR)</b>	<b>3y (TR)</b>	<b>5y (TR)</b>
-2.1	2.6	10.4	14.9	21.0	30.2

Source: Winterflood Investment Trusts (18.10.2024)

**Henderson High Income (HHI)** aims to provide a high dividend income stream with the potential for capital growth by investing in a diversified portfolio of both large and smaller companies, primarily from the UK. The trust also holds a proportion of bonds and fixed-income assets to support income stability. The portfolio is balanced across sectors, favouring both defensive and income-generating stocks.

In January 2024 HHI merged with Henderson Diversified Income Trust, with the latter being wound-up and its assets (£72.1mn in net assets) transferred in exchange for newly issued shares

(42.3mn shares) in HHI. The merger increased the scale of net assets, as of the August 2024 factsheet update NAV was £319mn. The increase in size in theory improved the liquidity and marketability of the shares, however the trust's discount (market cap to NAV) has widened in 2024 and is now almost 11 per cent.

The assets received from Henderson Diversified Income included bond holdings and as of the end of August 2024, around 10 per cent of the portfolio is in fixed income instruments. The main focus is on equities with trust manager, David Smith, seeing upside potential in UK mid-cap stocks, which are expected to benefit from interest rate cuts. Exposure to mid-caps has increased in recent months, particularly in companies expected to benefit from rising real wages and improving consumer demand.

## Top Holdings

Name	% Port
British American Tobacco	4.5
Unilever	4.2
HSBC	3.1
Rio Tinto	2.9
Imperial Brands	2.6
RELX	2.6
Shell	2.5
BP	2.5
Tesco	2.4
3i Group	2.3
<b>Total</b>	<b>29.6</b>

Source: Henderson High Income factsheet (31.08.2024)

The trust tracks a split benchmark (80 per cent FTSE All-Share and 20 per cent Bank of America Sterling Non-Gilts Index), reflecting its mandate. NAV total returns have beaten this benchmark over 6mth and 1,3, 5 and 10 year timeframes.

Top positive contributors to portfolio performance up to the end of August included fashion retailer **Next (NXT)**, which delivered better-than-expected performance in its overseas online business. Supermarket **Tesco (TSCO)** also did well as the market responded well to its push to increase market share.

Although primarily UK-focused, HHI does have some overseas share holdings. Its position in French utility company **Engie (FR:ENGI)** was rewarded as several of the business' divisions outperformed in the period.

## HHI's performance versus benchmark (to end August)

	Share Price TR (%)	NAV TR (%)	Benchmark TR (%)
6 months	12.4	14.3	10.7
1 year	12.2	19.9	15.5
3 years	13.8	24.2	17
5 years	33.7	39.5	29.2
10 years	66	87.4	69.7

Source: Henderson High Income factsheet (31.08.2024)

Detractors from the portfolio's performance included industrial firm **Vesuvius (VSVS)** which lowered profit expectations due to weaker performance in its Foundry divisions. Recruiter **PageGroup (PAGE)** has suffered from weak cyclical market conditions.

Asset manager **Schroders (SDR)** did poorly up until the summer, thanks partly to lower fee margins. It has seen something of a share price recovery since the end of summer, perhaps thanks to optimism about its forthcoming management shake-up.

Notable portfolio adjustments to the end of August have included increases to positions in insurer **Aviva (AV)** and UK property development company **British Land (BLND)**. Holdings on major banks **NatWest (NWG)** and **HSBC (HSBA)** were trimmed following strong share price performance earlier in the year.

The Trust's outlook for UK equities remains positive, despite macroeconomic uncertainty. The moderation of inflation, which reached the Bank of England's 2 per cent target in May for the first time in three years, and expectations of future interest rate cuts, provide a supportive backdrop for UK equities. The Bank of England's interest rate cut in August 2024 from 5.25 to 5 per cent marked the beginning of an expected easing cycle (investment bank Goldman Sachs now forecasts UK rates will be 2.75 per cent by next autumn), which the HHI team anticipates will be supportive for UK equities.

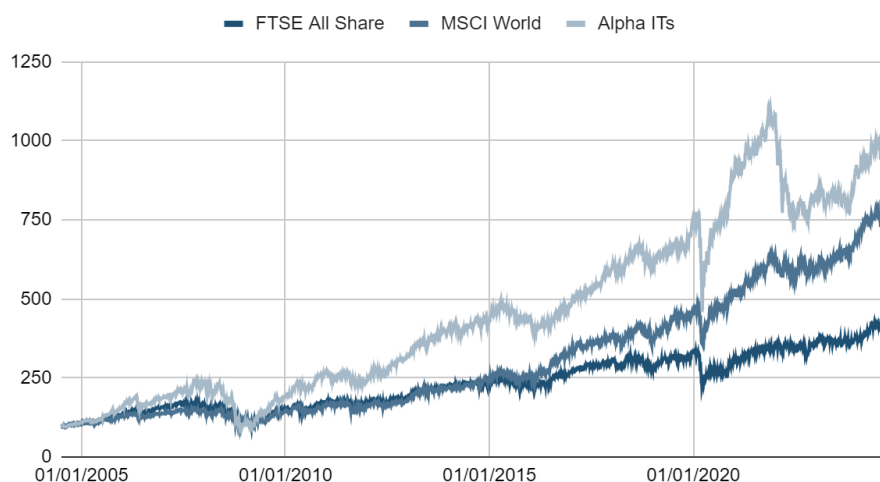
Financial leverage is used to try and amplify potential returns. This comprises bank loans, long-term notes and premiums on options written. Total gearing is high at 22 per cent of net assets.

Many investors will focus on the dividend paying potential of the trust and the current yield on the trust shares is 6.5 per cent. According to the AIC it has achieved a five year rate of dividend per share growth that annualises to above 1.5 per cent a year.

In terms of costs, HHI has ongoing charges of 0.86 per cent, excluding performance fees. The Trust charges a management fee based on the value of net assets. For the half-year ended 30 June 2024, the total management fee amounted to £817,000, which includes a fixed annual rate charged on a sliding scale based on the Trust's total assets (0.5 per cent of adjusted gross assets up to £325mn and 0.45 per cent on assets above £325mn).

## Alpha investment trust strategy – long run performance (Jul-Jul)

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). 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 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	875%	11.9%
Alpha IT 1.5% charge	610%	10.1%
MSCI World	702%	10.8%
FTSE All Share	325%	7.4%
FTSE All Sh/MSCI Wld	472%	9.1%

Source: LSEG, Investors' Chronicle

## Alpha investment trust 10-stock portfolios

Details of the past 10 Alpha Investment Trust 10-stock portfolios can be viewed below. Some "Top 10s" have recovered to positive performance overall but have been outshone by benchmarks like the FTSE All-Share index and the MSCI World.

18-Oct-23			27-Nov-23		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	17.00%	Alpha ITs	-	12.40%
MSCI World	-	24.90%	MSCI World	-	22.70%
FTSE All Share	-	15.40%	FTSE All Share	-	15.50%
Vinacapital Vietnam	VOF	6.30%	Aurora Investment	ARR	15.20%
Mobius Investment	MMIT	10.60%	Bluefield Solar	BSIF	0.00%
Brunner Investment Trust	BUT	38.00%	Vinacapital Vietnam	VOF	1.80%
The Scot.Orntl. Smcos.	SST	12.70%	Brunner Investment Trust	BUT	35.00%
Pershing Square (Lon) Holdings	PSH	23.30%	Dwn.Renews.& Infr.Tst.	DORE	1.40%
	ACIC	0.00%	F&C It.	FCIT	20.40%
The Bankers Investment Trust	BNKR	20.60%	Hicl Infrastructure	HICL	-3.80%
F&C It.	FCIT	23.60%	Jpmor.Gemm.Inu.	JEMI	14.40%
North American Inc.Tst.	NAIT	25.10%	Dunedin Income Gw.It.	DIG	8.00%
Murray Income Trust	MUT	10.10%	Allianz Technology Tst.	ATT	31.20%

Source: LSEG, Investors' Chronicle

5-Jan-24			16-February-24		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	-3.60%	Alpha ITs	-	6.50%
MSCI World	-	19.40%	MSCI World	-	11.80%
FTSE All Share	-	11.70%	FTSE All Share	-	11.20%
Regional Reit	RGL	-32.10%	Rtw Venture Fund	RTW	20.20%
Gresham House Energy Storage Fund	GRID	-54.40%	Montanaro Uk Smcos.It.	MTU	12.10%
Ecofin Glb.Util.&Infr.	EGL	19.80%	Worldwide Hlthcr.Tst.	WWH	5.70%
Gore Street En.Strg.Fd.	GSF	-26.20%	Us Solar Fund (Lon)	USF	-14.00%
Jpmorgan Japanese	JFJ	12.20%	Jpmorgan Japanese	JFJ	3.10%
The Bankers Investment Trust	BNKR	12.80%	Allianz Technology Tst.	ATT	9.30%
Schroder Income Gw.Fd.	SCF	7.20%	Intl.Biotechnology	IBT	6.40%
Murray Intl.	MYI	4.80%	Artemis Alpha Trust	ATS	22.60%
Fidelity Spc.Values	FSV	15.50%	Martin Currie Glb.Prtf.	MNP	-1.00%
Blackr.Sust.Amer.	BRSA	4.40%	Fidelity European	FEV	0.60%

Source: LSEG, Investors' Chronicle

Continued below

19-Mar-24			15-Apr-24		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	7.10%	Alpha ITs	-	1.50%
MSCI World	-	9.10%	MSCI World	-	9.10%
FTSE All Share	-	9.90%	FTSE All Share	-	6.70%
Baillie Giff.Japan	BGFD	-3.20%	Pacific Horizon	PHI	-4.90%
Worldwide Hlthcr.Tst.	WWH	6.80%	Templeton Emrg.Mkts.It.	TEM	10.20%
Jpmor.Gemm.Inu.	JEMI	5.80%	Temple Bar	TMPL	9.70%
Templeton Emrg.Mkts.It.	TEM	11.60%	Schdr.An.Tor.Inv.	ATR	9.70%
	FSF	0.00%	Martin Currie Glb.Prtf.	MNP	-2.20%
North American Inc.Tst.	NAIT	20.40%	Schroder Japan Trust	SJG	-6.50%
Schroder Asia Pac.Fd.	SDP	10.30%	Schroder Asia Pac.Fd.	SDP	6.80%
Martin Currie Glb.Prtf.	MNP	-3.60%	Baillie Gifford	BGEU	-10.10%
Temple Bar	TMPL	16.80%	Allianz Technology Tst.	ATT	4.70%
Henderson Intl.Inc.Tst.	HINT	6.50%	Blackrock World Mng.	BRWM	-2.70%

Source: LSEG, Investors' Chronicle

Continued below

22-May-24			19-Jun-24		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	0.30%	Alpha ITs	-	-1.90%
MSCI World	-	6.30%	MSCI World	-	4.50%
FTSE All Share	-	1.00%	FTSE All Share	-	2.70%
Merchants Trust	MRCH	0.10%	Regional Reit	RGL	-5.50%
Abrdn Equity Income	AEI	3.90%	Abrdn Equity Income	AEI	8.20%
Fidelity Spc.Values	FSV	2.60%	Abrdn New India Investment Trust	ANII	-4.30%
The City Of London Investment Trust	CTY	3.50%	Jpmorgan Indian It.	JII	1.00%
Vh Glb.Sust.En.	GSEO	-0.30%	Gresham House Energy Storage Fund	GRID	-27.60%
Schroder Income Gw.Fd.	SCF	2.80%	Pacific Assets	PAC	-2.10%
The Diverse Income Trust	DIVI	5.30%	The City Of London Investment Trust	CTY	5.60%
Murray Income Trust	MUT	-2.30%	Abrdn Asia Focus	AAS	1.00%
Regional Reit	RGL	-12.50%	Merchants Trust	MRCH	4.20%
Invesco Asia Trust	IAT	0.00%	Schroder Asia Pac.Fd.	SDP	0.60%

Source: LSEG, Investors' Chronicle

Continued below

25-Jul-24			27-Sep-24		
Name	TIDM	Total Return	Name	TIDM	Total Return
Alpha ITs	-	-3.30%	Alpha ITs	-	-2.00%
MSCI World	-	6.60%	MSCI World	-	3.60%
FTSE All Share	-	2.40%	FTSE All Share	-	-0.20%
Gresham House Energy Storage Fund	GRID	-23.60%	Tr Property Inv.	TRY	-6.10%
Manchester & London It.	MNL	1.30%	Bellevue Healthcare	BBH	-1.90%
Invesco Perpetual	IPU	-9.30%	The Scot.Orntl. Smcos.	SST	-2.00%
Intl.Biotechnology	IBT	-0.90%	Jpmorgan Japanese	JFJ	-3.40%
Blackrock Throg.Tst.	THRG	-5.90%	Jpmorgan Emerging Mkts.	JMG	-1.70%
Abrdn Equity Income	AEI	3.40%	Twentyfour Income	TFIF	-0.20%
Pacific Assets	PAC	-0.80%	The Edinburgh Investment Trust	EDIN	-1.10%
Henderson High Inc.New	HHI	1.50%	Schroder Asia Pac.Fd.	SDP	-2.70%
Lowland Investment	LWI	-0.70%	Finsbury Gw.& Inc.Tst.	FGT	-1.20%
Schroder Income Gw.Fd.	SCF	1.60%	Temple Bar	TMPL	0.00%

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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