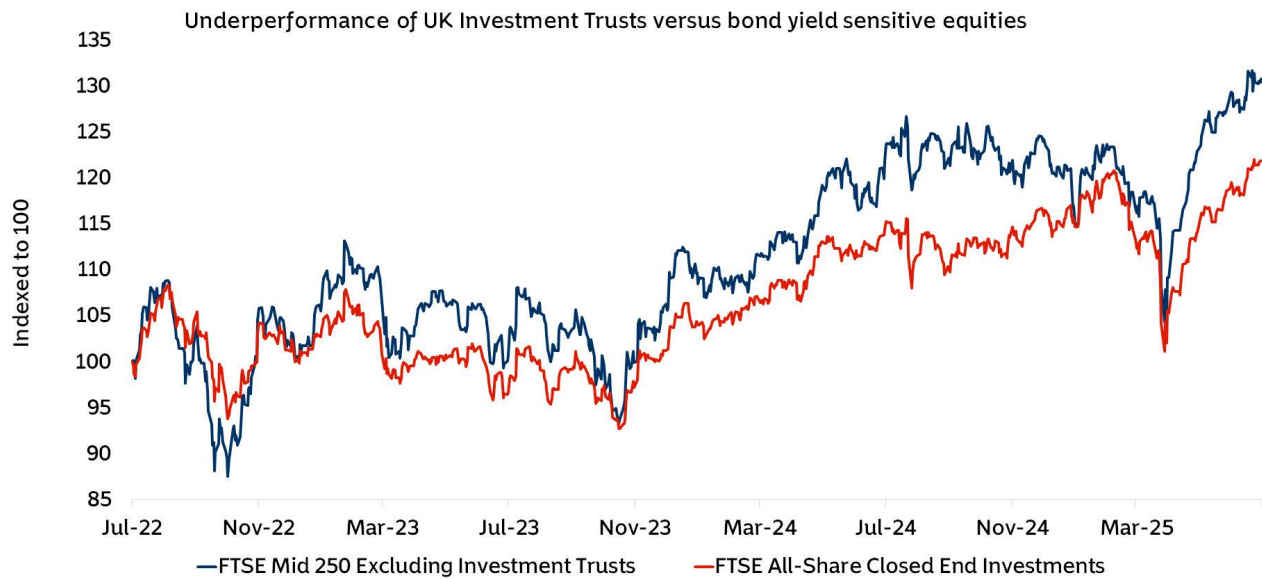


Chart of the Week

14 July 2025



Source: Momentum Global Investment Management, Bloomberg Finance L.P., data 10 July 2025.



Underperformance of UK Investment Trusts vs. equities

Richard Parfect
Fund Manager

What this chart shows

This shows the 3-year performance of UK investment trusts versus the FTSE250 index excluding investment trusts.

As can be seen there is a marked underperformance over the period which closely aligns with some important events. Firstly, bond yields began to “normalise” in response to inflation, this is something that would ordinarily be expected to impact both equities, especially domestically focused ones such as UK midcap companies, as well as investment trusts invested in equities and real assets. Secondly, there was a change in the application of EU retained law that effectively made investment trusts appear significantly more expensive in terms of their cost to investors than they actually were. In effect, the internal expenses of running investment trusts, which are no different from the expenses of running a listed operating company, were reported as being additional deductions from investor’s investment. However, in reality such expenses had already been factored in and discounted by the share price. This triggered the steady exit of traditional sources of demand for such companies and hindered the ability of many investors to own the shares despite their resultant undervaluation.

Why this is important

Critics of the campaign to remove the mis-application of reported “costs” or more accurately termed “expenses” say that the fall in value of investment trusts are as much a result of other things such as higher bond yields. Such critics are not wrong in saying there are a variety of factors driving valuations and bond yields are one of them. However, higher and lower bond yields sink and raise all boats (respectively) and so we should not expect to see such a wide divergence of performance between the two sets of companies (UK mid cap companies and UK listed investment trusts).

More recently there have been signs of a recovery in investment trusts (from a low base) driven in no small part by increased merger and acquisition activity, some of which has come from opportunistic overseas investors who see assets trading well below fair value. It is very unfortunate that the investment trust sector has found itself in a situation where it has been hamstrung by a factor not of its making; a regulatory impasse, but one which is being worked on by the FCA and engaged members of the industry such as ourselves. This has been playing out whilst also having to contend with other matters such as the normalisation of interest rates and the economic cycle. We are hopeful that a solution can be found to the regulatory situation but in the meantime, compelling value is on offer to investors who can look past such factors. It is also why we launched our Momentum Real Assets Growth & Income Fund in April 2024 which is heavily focussed in this area.

**For more information, please contact:
Distribution Services**

momentum
global investment management

E: distributionservices@momentum.co.uk

T: +44 (0)207 618 1829

Important notes - This document is only intended for use by the original recipient, either a Momentum Global Investment Management Limited (MGIM) client or prospective client, and does not constitute investment advice or an offer or solicitation to buy or sell. This document is not intended for use or distribution by any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, MGIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multi-manager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

MGIM (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London EC4R 1EB. MGIM is authorised and regulated by the Financial Conduct Authority in the United Kingdom (registration no.232357), and is exempt from the requirements of section 7(1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) in South Africa, in terms of the FSCA FAIS Notice 9 of 2025 (published 9 January 2025). For complaints relating to MGIM's financial services, please contact distributionservices@momentum.co.uk. ©MGIM 2025.

With us, investing is personal

