



# Buy a range of bargain investment trusts with this one fund

The Miton Global Opportunities Trust seeks out overlooked investment-trust gems, saving you the work.



by: [Max King](#) 9 JAN 2022



Phoenix Spree Deutschland's flats for rent in Berlin are dull but dependable assets

© iStockphotos

[Investment trusts](#) trade on an average discount to [net asset value \(NAV\)](#) of just 2.3%, but there are many trusts on much higher discounts. Most of these are small, specialised funds focusing on niches that were once popular but are now being ignored as a result of disappointing performance, poor management or the sector becoming unfashionable.

Some of these will perform well and return to favour, thereby giving investors the double-whammy of strong investment returns and a re-rating of the trust. Others will languish, with investors fruitlessly hoping that something will turn up. How should you distinguish between the winners and the duds?

## Ditching the duds

You don't have to. The £100m **Miton Global Opportunities Trust (LSE: MIGO)**, managed by Nick Greenwood and Charlotte Cuthbertson, will do it for you. MIGO invests in a diversified portfolio of unloved and undervalued investment trusts. They are held until the trust is wound up, has received a takeover bid, or has seen its discount disappear thanks to good performance. Given the thorough research and expertise this requires, the annual management cost of 0.65% and total cost of 1.3% is very reasonable. Over five years the investment return has been a reasonable but not sparkling 69%, but the one-year return of 48% is outstanding, one of the best in the whole sector. This shows how market dislocation in the pandemic created huge opportunities in the investment-trust sector – opportunities that Greenwood thinks “are way higher than in the past. Five years ago, it was just in equities, but now” it's also “in property, private equity, shipping, uranium and other alternative assets”.

Greenwood and Cuthbertson seek to buy trusts with “esoteric, overlooked” assets at significant discounts to their intrinsic value, but where there is a catalyst for change. Intrinsic value may be significantly higher than NAV if the trust invests in unlisted assets, such as property and private equity, rather than listed equities. Such trusts make up an increasing share of the portfolio.

## Dunedin's deep discount

For example, the Dunedin Enterprise Investment Trust was put into wind-up when its investment in a staffing business, Red, went wrong and had to be written off. Red has since bounced back and Dunedin's share price has risen 2.5-fold in four years. But it still trades at a 20% discount to a conservative estimate of NAV. It accounts for 5.2% of the portfolio. Baker Steel Resources Trust (5.4%) “has control of a vast asset base. It acquires the mining rights to deposits, puts together a project, sells to a major mining firm but retains a royalty. Assets include copper in Norway, gold in Zimbabwe, tin in Saxony and tungsten in Devon, which will be the second-biggest such mine in the world. We bought the shares at 15p; they now trade at 80p but the stated asset value is £1.”

Phoenix Spree Deutschland (4%) owns rental flats in Berlin and trades “at a true discount to NAV of 20%-25%. It will return 10% per annum indefinitely, but investing in it is like watching paint dry”.

EPE Special Opportunities (6%), a private-equity investor in distressed assets, trades at a 33% discount to NAV, a figure distorted by the success of its LED lighting business, Luceco. It also owns tea and coffee retailer Whittard.

Georgia Capital (3% of Miton's portfolio) trades at a 52% discount to NAV. Investors have become disenchanted with the eastern European country in spite of its prosperity. About 80% of the portfolio is invested in private equity, much of it in healthcare, and 19% in the listed Bank of Georgia. Despite not paying a dividend, MIGO trades at NAV, but the top 12 (out of 43) holdings, accounting for nearly half the portfolio, are on an average discount of 18.2%. So MIGO is sufficiently highly rated to enable the board to grow the trust by issuing new shares, but still offers investors excellent value.

Kickstart your 2022 with a **free trial** to *MoneyWeek*.

Plus, receive a **best-selling investment eBook**.

**[Start your free trial today.](#)**