Investment Trusts

by Cliff Weight

The People's Trust launch failure got me thinking and I spent some time researching Investment Trusts and found a very good site http://www.theaic.co.uk/aic/find-compare-investment-companies with lots of useful information:

From this, I extracted this data on 10-year returns (the AIC does not seem interested in long-term returns and does not give 20, 25 years and longer returns data, sadly):

	10-year TSR	Annualised
Investment Trusts (all)	129%	9%
VCT	83%	6%
Investment Trusts - All World excl UK	144%	9%
Investment Trusts - UK Smaller Companies	198%	12%
Investment Trusts - Hedge Funds	151%	10%
Investment Trusts - Biotech	475%	19%
Investment Trusts - Tech	340%	16%
Comparative benchmark data		
FTSE 100	66%	5%
FTSE 250	149%	10%
FTSE Small Cap	93%	7%
AIM	1%	0%

Of course, past performance is not necessarily an indicator of future performance. However, I would like to make a number of observations:

1. VCT tax relief probably means that after tax VCTs have performed at about the same level as investment trusts as a whole. The high fees of VCTs have eroded their returns to their shareholders. The ShareSoc VCT Investors Group will continue to campaign on this issue.
2. Investment Trusts have done much better than the FTSE100 index.
3. The rest of the world was a better place to invest than the UK. (This is pre exchange rates. £ has lost value over 10 years. Versus Euro it has gone down from 1.43 to 1.12 over ten years and versus US$ from 2.05 to 1.30.)
4. AIM was truly awful. Yes, the 1% 10-year return for AIM is not a typo! This is why it is so important that UKSA and ShareSoc continue to press LSE to regulate AIM properly.
5. Investing in biotech and tech investment trusts was a good strategy. (I have not bothered to produce the figures for mining companies, as I suspect that there may be problem is such statistics' reliability as an indicator due to the survivor bias issue.)
6. There may be some survivor bias issues in looking at the AIC data.
7. Some investment trusts are charging higher fees than others. Or one could say some investment trusts are charging lower fees than others.

The AIC site also has a useful article on the costs of investing in investment trusts that readers may find useful (https://tinyurl.com/ycatxzek). There was also a very good article in the FT, by Merryn Somerset Webb, on The People's Trust (https://tinyurl.com/ycw8umhe).

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