Investment Companies: The big winners and even bigger losers from a shocking 2022

By **Gavin Lumsden** 05 Jan, 2023

What a year!

Last year is one most investment company investors will want to forget as bond and stock markets around the world tumbled in response to rising interest rates and surging inflation, as well as heightened geopolitical risk after Russia's invasion of Ukraine.

Nevertheless, before we move much further into the New Year, a survey of the 30 biggest risers and fallers from 2022 makes useful reading.

The tables from Numis Securities on the following pages divide investment companies between equity funds, investing in the shares of companies, and 'alternative' funds investing in property, infrastructure, debt and other specialist assets.

They show the total return, or loss, received by shareholders over the 12-month period alongside the underlying movement in net asset value (NAV) with the size of the fund and the extent to which the shares stood at a premium above or a discount below NAV at the end of the year.

Rank	Equity Investment Companies - the big risers	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
1)	BlackRock Energy & Resources Income (BERI)	36.6	35	-3.1	179
2)	City Natural Resources Growth & Income (CYN)	30.2	22.1	-15.3	131
3)	BlackRock World Mining (BRWM)	26	17.1	1.7	1,316
4)	Gulf Investment Fund (GIF)	24.7	20.4	-4.4	64
5)	Rockwood Strategic (RKW)	22.8	9.3	-4	44
6)	Trian Investors 1 (TI1)	21	-21.6	-4.3	434
7)	Murray International (MYI)	20.7	9.8	2.3	1,668
8)	BlackRock Latin American (BRLA)	18	19.5	-8.8	112
9)	Aberdeen Latin American Income (ALAI)	13.9	17.9	-14	30
10)	Ecofin Global Utilities & Infrastructure (EGL)	12.9	6.3	-0.8	244
11)	North American Income (NAIT)	12.8	9.2	-7.9	426
12)	Crystal Amber (CRS)	12.1	10.5	-24.6	81
13)	Fidelity Asian Values (FAS)	10.4	6.3	-4.5	355
14)	Global Opportunities (GOT)	9.8	16	-13.6	92

Source: Numis Securities

Energy and commodity lead the way

With energy prices soaring in response to the war in Ukraine, it was another strong year for equity funds exposed to oil and gas, which dominate the top of our leaderboard. **BlackRock Energy & Resources Income (BERI)**, which invests in the transition to renewable energy as well as conventional carbon producers, led the way with a 36.6% shareholder return.

And with growth stocks plunging out of favour, it was a good year too for value-oriented income funds such as Bruce Stout's £1.7bn **Murray International (MYI)** which returned nearly 21% with its shares standing on a small premium by the end of December.

Rockwood Strategic (RKW) bucked a difficult year for UK smaller companies with a 22.8% gain as Richard Staveley settled in at Harwood Capital and the £45m former Gresham House Strategic moved beyond its recent history of corporate uncertainty.

Rank	Equity Investment Companies - the big risers (cont)	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
15)	City of London (CTY)	9.4	4.9	2.5	1,955
16)	Polar Capital Global Healthcare (PCGH)	9	3.7	-3.9	404
17)	India Capital Growth (IGC)	7.7	3.6	-7.6	125
18)	Ruffer Investment (RICA)	7.1	7.9	1.1	1,136
19)	Henderson International Income (HINT)	6.4	3.2	-3.1	347
20)	Abrdn Equity Income (AEI)	6.2	-2.3	1.3	168
21)	Merchants (MRCH)	5.5	4.2	1.6	784
22)	Edinburgh (EDIN)	5.5	2.4	-6.9	1,066
23)	Middlefield Canadian Income (MCI)	5.3	-2.2	-7.7	127
24)	BlackRock Income & Growth (BRIG)	5.2	0.2	-6	40
25)	Odyssean (OIT)	5	4.8	1.8	192
26)	Temple Bar (TMPL)	3.6	0.7	-5.5	701
27)	Schroder Income Growth (SCF)	3.1	2.5	2.4	211
28)	Utilico Emerging Markets (UEM)	2.7	2.8	-13.2	426
29)	Shires Income (SHRS)	2.5	-4.2	0.5	81
30)	Scottish Oriental Smaller Cos (SST)	2.1	5.9	-12.4	289

Source: Numis Securities

UK equity income rallies

A flat performance by the FTSE 100 proved a resilient outcome compared to other stock markets. Looking at the bottom half of our list of equity fund risers, the relative strength of UK blue chips is evident from the presence of domestic equity income trusts.

Janus Henderson's £2bn **City of London (CTY)** advanced 9.4% with dividends included, while a raft of rivals including **Abrdn Equity Income (AIE), Merchants (MRCH)** and **Edinburgh (EDIN)** notched up more modest gains. **Ruffer (RICA)** was the most successful of the band of multi-asset capital preservation funds with an impressive 7.1% total return given the unprecedented volatility across all areas of investment.
Odyssean (OIT) was another standout UK small-cap performer, achieving a 5% gain despite falling smaller company share prices, as a number of its holdings received takeover bids.

Rank	Equity Investment Companies - the big fallers	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
1)	JPMorgan Emerging Europe, Middle East & Africa (JEMA)	-87.7	-94.4	90.1	34
2)	Baillie Gifford US Growth (USA)	-52.8	-44.1	-14.8	4 50
3)	Scottish Mortgage (SMT)	-45.7	-39.1	-8.7	10,244
4)	Baillie Gifford European Growth (BGEG)	-41.3	-35.3	-13.3	312
5)	Manchester & London (MNL)	-40.5	-37.7	-17.3	134
6)	Allianz Technology (ATT)	-40.4	-33.9	-8.6	854
7)	Edinburgh Worldwide (EWI)	-39.8	-34.4	-7.7	690
8)	Abrdn UK Smaller Companies Growth (AUSC)	-38.4	-36.8	-9.9	424
9)	BlackRock Throgmorton (THRG)	-38.3	-34.7	-4	600
10)	Montanaro European Smaller Cos (MTU)	-37.9	-30.4	-8.7	256
11)	Baker Steel Resources (BSRT)	-37.9	-19.6	-41.2	50
12)	Oryx International Growth (OIG)	-37.9	-25.2	-21	154
13)	River & Mercantile UK Micro Cap (RMMC)	-37	-40.2	-8.5	56
14)	Polar Capital Technology (PCT)	-36.8	-30.9	-12.1	2,219
15)	Schroder British Opportunities (SBO)	-36.1	-10.5	-32.1	51

Source: Numis Securities

Russia retreat

Turning to our big equity fallers, Russia was the last place on earth you wanted to be invested in after the West imposed punitive sanctions on the country for its invasion of Ukraine. JPMorgan Russian Securities found this out to its cost, with its shares plummeting nearly 88% last year to place it at the top of our table.

The savage decline prompted the board to widen its remit and changes its name to **JPMorgan Emerging Europe, Middle East & Africa (JEMA)**. Interestingly the shares didn't fall as much as the underlying NAV last year, whose 94% drop reflected the writing down to zero of much of its assets. As a result, the stock traded on a huge premium as investors bet that there was residual value left in the Russian holdings.

Baillie Gifford funds crash

After stunning success before and during the pandemic, Baillie Gifford's high-conviction growth style fell out of bed spectacularly. Its £10bn global flagship **Scottish Mortgage (SMT)** slumped nearly 46%. The bursting of the technology bubble also hurt stablemates **US Growth (USA), European Growth (BGEU)** and **Edinburgh Worldwide (EWI)**, which tumbled 40%-52%, with **Keystone Positive Change (KPC), Pacific Horizon (PHI),** global fund **Monks (MNKS)** and Japan smaller companies specialist **Shin Nippon (BGS)** sliding over 30% (see next table).

Rank	Equity Investment Companies - the big fallers (cont)	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
16)	TR Property (TRY)	-35.6	-32.1	-7.1	970
17)	Smithson (SSON)	-35.2	-28.3	-6.9	2,242
18)	Castelnau Group (CGL)	-34.6	-19.4	-8.5	127
19)	BlackRock Smaller Cos (BRSC)	-34.3	-26.4	-13.5	662
20)	Aberdeen Smaller Companies Income (ASCI)	-33.7	-33.3	-16.1	53
21)	Keystone Positive Change (KPC)	-33.5	-25.2	-12.6	127
22)	UIL (UIL)	-33.4	-36.7	-32.5	134
23)	Pacific Horizon (PHI)	-32.5	-22.2	-5.5	533
24)	JPMorgan Mid Cap (JMF)	-31.9	-31.8	-12	194
25)	BlackRock Greater Europe (BRGE)	-31.1	-26.7	-4.8	476
26)	Monks (MNKS)	-31	-23.1	-10.4	2,215
27)	JPMorgan Japanese (JFJ)	-30.5	-28.1	-5.9	702
28)	Baillie Gifford Shin Nippon (BGS)	-30.5	-22.6	-8.8	483
29)	Henderson Smaller Companies (HSL)	-30.1	-31.8	-8.2	628
30)	Rights & Issues (RIII)	-30.1	-23.5	-17.5	117

Source: Numis Securities

Shocker for Smithson and TR Property

Other high-profile growth investors bore the brunt of the selloff too, such as Simon Barnard at Fundsmith whose **Smithson (SSON)** global mid-cap trust suffered a 35% drop in its share price.

Multiple Citywire award winner **TR Property (TRY)** also had a tough year, sliding nearly 36% as its holdings in real estate investment trusts and physical property derated in the face of a record fall in benchmark government bonds, and investors worried about the impact of a recession on rents.

Rank	Alternative asset investment companies - the big risers	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
1)	Doric Nimrod Air One (DNA)	159.9	12.5	-4	26
2)	Doric Nimrod Air Three (DNA3)	73.7	7.4	102	118
3)	Doric Nimrod Air Two (DNA2)	70.8	8	-4.4	163
4)	Amedeo Air Four Plus (AA4)	56.1	67.8	-67.7	131
5)	Riverstone Energy (RSE)	45.8	42.3	-45.4	346
6)	JZ Capital Partners (JZCP)	44.7	22.4	-63	132
7)	Tetragon Financial (TFG)	32.6	1.1	-66.1	781
8)	Gresham House Energy Storage (GRID)	29.6	34.6	9.4	874
9)	Harmony Energy Income (HEIT)	26.3	26.8	0.3	259
10)	Foresight Solar (FSFL)	24.8	24	-7.7	725
11)	Literacy Capital (BOOK)	24.7	38.9	6.5	221
12)	Symphony International Holding (SIHL)	21.2	2.6	-48.7	182
13)	JLEN Environmental Assets (JLEN)	21	32.1	-5.4	794
14)	BH Macro - £ (BHMG)	20.1	21.3	7.9	1,354
15)	Dunedin Enterprise (DNE)	18.5	7.3	-5	28

Source: Numis Securities

‘Alternative’ highfliers

Plane-leasing funds enjoyed a terrific year as they pulled out of a near-death experience in the pandemic when global aviation virtually ceased, and saw their share prices rebound as international travel resumed. The three **Doric Nimrod** closed-end funds soared 71%-160% with rival **Amedeo** trailing on an otherwise impressive 56% advance.

For more defensive-minded investors, the 32.6% rise in alternatives and hedge fund platform **Tetragon Financial Group (TFG)** was a surprise, particularly as its shares ended the year on a 66% discount, one of the biggest in the market.

Brevan Howard’s **BH Macro (BHMG)** also proved its ability to make money when markets are falling, with a 20.1% return from trading futures in bonds and currency markets.

At a time when most private equity funds were derated, **Literacy Capital (BOOK)**, also stood out with a near 25% gain.

Rank	Alternative asset investment companies - big risers (cont)	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
16)	**NextEnergy Solar (NESF)**	16.9	25.4	-11.1	656
17)	**Bluefield Solar Income (BSIF)**	16.6	22.3	-5.1	832
18)	**ThomasLloyd Energy Impact (TLEI)**	14.8	16.7	11.6	164
19)	**Downing Renewables & Infrastructure (DORE)**	14.7	18.8	-3.9	210
20)	**Greencoat Renewables (GRP)**	13.6	17	3.6	1,154
21)	**Greencoat UK Wind (UKW)**	13.5	22.2	-12.5	3,524
22)	**Riverstone Credit Opportunities Income (RCOI)**	13.2	14	-16.2	70
23)	**EJF Investments (EJFI)**	11.4	14.6	-28.6	81
24)	**BioPharma Credit (BPCR)**	10.6	13.1	-4.6	1,042
25)	**Macau Property Opportunities (MPO)**	10.5	-2	-64.7	32
26)	**Foresight Sustainable Forestry (FSF)**	10.2	7.1	0.7	182
27)	**Chenavari Toro Income (TORO)**	5.7	-5.3	-20.4	139
28)	**US Solar Fund (USF)**	4.6	16.3	-16.2	232
29)	**GRIT Real Estate Income (GR1T)**	3.4	-15.3	-61.9	163
30)	**CQS New City High Yield (NCYF)**	3.2	-0.2	9.6	262

Source: Numis Securities

Good run for renewables

The presence of battery funds **Gresham House Energy Storage (GRID), Harmony Energy Income (HEIT), Foresight Solar (FSFL)** and **JLEN Environmental Markets (JLEN)** on the previous page with returns of 21%-30% already demonstrated what a strong, if mixed, year it was for renewable energy infrastructure.

That is confirmed by the 13.5-17% returns from the six other renewables funds at the top of this table (the bottom half of our list of alternative risers), with **Foresight Sustainable Forestry (FSF)** and **US Solar Fund (USF)** appearing lower down on gains of 10% and 4.6%. Ironically, all these renewable funds benefited from the high cost of carbon fuels they are seeking to replace as well as inflation links in many of their power supply contracts.

However, many endured a bumpy fourth quarter as steep falls in UK government bonds undermined the valuation of their assets, causing the shares of most to derate and finish the year at discounts below NAV. It will be fascinating to see how they fare this year.

Rank	Alternative asset investment companies - the big fallers	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
1)	Chrysalis Investments (CHRY)	-68.6	-37.9	-48.3	458
2)	Home Reit (HOME)	-68.6	13.1	-65.9	301
3)	Molten Ventures (GROW)	-65.2	-5.4	-57.7	542
4)	Seraphim Space (SSIT)	-64	0.3	-54.8	108
5)	Schiehallion Fund (MNTN)	-62.8	-25.9	-20.1	391
6)	EPE Special Opportunities (ESO)	-56.3	-52.8	-35.7	46
7)	Schiehallion Fund C (MNTC)	-56.1	-13.4	-34.1	297
8)	Schroder UK Public Private (SUPP)	-53.3	-37.2	-48.8	140
9)	Tritax Eurobox (EBOX)	-44.8	8.1	-49.7	495
10)	Tritax Big Box Reit (BBOX)	-42.2	12.6	-37.5	2,590
11)	Pollen Street (POLN)	-40.6	8.2	-50	329
12)	Abrdn European Logistics Income (ASLI)	-38.3	2.2	-40.4	282
13)	Warehouse Reit (WHR)	-38.1	4.6	-30.2	444
14)	Ceiba Investments (CBA)	-36.7	16.4	-59.7	56
15)	Phoenix Spree Deutschland (PSDL)	-36.7	5.4	-51.2	227

Source: Numis Securities

Private equity plunges

A concluding look at the big fallers in the alternatives space highlights the pain suffered by private equity funds, particularly those like Jupiter's **Chrysalis (CHRY)**, **Seraphim Space (SSIT)** and **Schroder UK Public Private (SUPP)**, the former Woodford Patient Capital, and Baillie Gifford's **Shchiehallion (MNTN)**, which hold more speculative, jam-tomorrow growth companies.

That said, digital startup investor **Molten Ventures (GROW)** rebounded strongly in the fourth quarter, despite seeing its shares fall by almost two-thirds in 2022. With the shares of these investment companies languishing on wide discounts, that could show the potential for a rapid recovery once investors see a peak in inflation and interest rates, perhaps later this year.

Home Reit (HOME), the homeless accommodation provider, sticks out like a sore thumb near the top of the table with a 69% share price decline, caused by allegations of financial irregularity by short-seller Viceroy Research in November. The company denies the allegations but has had to delay its annual results, leading to the suspension of the shares this week.

The specialist real estate investment trust (Reit) was not alone in suffering a steep fall, however, as this table and the next are littered with other Reits who derated at the prospect of a recession and much higher finance costs.

Rank	Alternative asset investment companies - the big fallers (cont)	Share price total return %	NAV total return %	Share price premium (-discount) to NAV %	Market value £m
16)	Petershill Partners (PHLL)	-36.7	-2.2	-52.7	1,919
17)	Princess Private Equity (PEY)	-36.4	-0.2	-39.9	518
18)	HydrogenOne Capital Growth (HGEN)	-33.6	0.5	-17.6	102
19)	Industrials Reit (MLI)	-32.5	7.1	-20.4	390
20)	Triple Point Social Housing Reit (SOHO)	-32.4	8.2	-45.1	247
21)	Regional Reit (RGL)	-31.3	13.1	-18.2	304
22)	Civitas Social Housing (CSH)	-30	11	-45.1	383
23)	Augmentum Fintech (AUGM)	-29	9.1	-27.4	201
24)	Ground Rents Income (GRIO)	-27.7	-6.4	-48.2	46
25)	Life Science Reit (LABS)	-27.6	3.9	-30	253
26)	Target Healthcare Reit (THRL)	-27.5	7.2	-29.6	497
27)	Hipgnosis Songs (SONG)	-27.2	34.2	-42.3	1,044
28)	Ediston Property (EPIC)	-25.7	10.3	-28.8	126
29)	Third Point Investors - US$ (TPOU)	-25.5	-24.1	-16.2	473
30)	Urban Logistics Reit (SHED)	-24.5	16.5	-26.1	635

Source: Numis Securities

Princess is not pretty

The costs of hedging its European portfolio against movements in the euro against the dollar proved doubly expensive for **Princess Private Equity (PEY)**. It was punished by investors after it cut its dividend citing a shortage of cash, with its shares diving 36% to near 40% discount.

Long shot at SONG

It was a tough year too for former 'alternatives' darling **Hipgnosis Songs (SONG)**. Rising finance costs and doubts over the valuation of its music royalty catalogues saw the income fund derate sharply in 2022 with the shares closing on a 42% discount. Investec analyst Alan Brierley suggested today this could offer a buying opportunity ahead of the fund's first continuation vote in the autumn. If shareholders vote to close the fund, the discount would narrow sharply and the shares quickly rise towards NAV.