

# XAI Quarterly Update on London-Listed Investment Companies Market Developments

The UK investment companies IPO market continued to struggle in 2023, as the Bank of England increased interest rates and many of the 2021 IPO funds were tested. During the year, a record £3.57bn in share buybacks occurred, and the market hit its lowest month-end average discount since the GFC. However, 2023 also saw the first Main Market IPO in 16 months and strong trading to end the year, potentially signaling positive things to come in 2024.

## Q4 2023 Global Market Overview

Equity Markets	31 December 2023	30 November 2023	31 October 2023
S&P 500	\$4,769.83	\$4,567.80	\$4,193.80
FTSE 100	£7,733.24	£7,453.75	£7,321.72
Market Volatility			
VIX	12.45	12.92	18.14
Interest Rates			
Federal Reserve	5.25% to 5.50%	5.25% to 5.50%	5.25% to 5.50%
Bank of England	5.25%	5.25%	5.25%
Currency Exchange Rates			
GBP/USD	1.27	1.26	1.22
USD/GBP	0.79	0.79	0.82

## UK Investment Company Market Update by the Numbers

The investment company market generated a

# 9.9%

average price return in 2023

# 28

investment companies are included in the LSE Green Economy Cohort 2023

A record

# £3.57bn

in share buybacks occurred in 2023

# 2

investment company IPOs occurred in 2023

The average investment company traded at a

# -9.0%

discount as of 31 December 2023

Investment companies paid out nearly

# £7bn

in distributions in 2023

# 3

investment companies achieved "dividend hero" status in 2023, bringing the total to 20

The average investment company discount hit

# -16.9%

on 31 October 2023, marking the widest month-end discount since 2008

## Articles and Insights in Q4 2023

### Articles published

Date	Title
18 Dec 2023	<a href="#">James Carthew: Dramatic 2023 leaves sector radically different</a>
12 Dec 2023	<a href="#">What investment trusts did with gearing as interest rates soared</a>
8 Dec 2023	<a href="#">Ardn commits to buy over £30m of shares in its shrinking trust range</a>
4 Nov 2023	<a href="#">Citywire Investment Trust Awards 2023: Best performers &amp; Best Board!</a>
31 Oct 2023	<a href="#">‘Unusual’ October sees two trusts take secondary listings</a>
10 Oct 2023	<a href="#">Japan triple merger completes with NAVF assets hitting £294m</a>
9 Oct 2023	<a href="#">US activist Boaz Weinstein trains sights on deep discount trusts</a>

Note: All articles featured this quarter were sourced from Citywire Investment Trust Insider.

Sources: XA Investments; London Stock Exchange; theaic.co.uk; FCA

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# London Investment Company Market Continued to Struggle in 2023, with Corporate Actions and Activist Activity Outpacing Fundraising



The investment company market saw two IPOs in 2023, but the market only raised £1.1 billion through secondary fundraising during the year.

## Investment Fund IPOs in 2023

After the longest IPO drought in decades, two investment companies launched in 2023.

Fund Name	Manager	Market	ITF*	Prospectus	Other Announcements
Onward Opportunities Limited	Dowgate Wealth Limited	AIM	N/A	N/A	<a href="#">Admission to AIM and First Day of Dealings – 30 Mar 2023</a>
Ashoka WhiteOak Emerging Markets Trust	Acorn Asset Management / White Oak Capital Partners	Main Market	<a href="#">11 Apr 2023</a>	<a href="#">18 Apr 2023</a>	<a href="#">Result of Initial Public Offering – 28 Apr 2023</a>

\*Intention to Float announcement.

## Top Five Sectors by Premium/Discount (as of December 31, 2023)

Despite many sectors experiencing positive performance in 2023, all sectors traded at an average discount by at year-end.

Sector	# of Funds	Avg. Prem/Disc (%)	1Y Avg. Price TR (%)	1Y Avg. NAV TR (%)	Avg. Div. Yield (%)
Debt - Loans & Bonds	11	-1.43	10.22	12.51	7.23
Global Equity Income	7	-1.76	10.86	12.81	3.69
UK Equity Income	23	-4.04	5.80	7.87	4.20
Property Securities	1	-6.02	18.28	17.01	4.53
Liquidity Funds	1	-7.04	7.30	5.33	0.96

## Top Five Sectors by Fundraising in 2023

As a result of BH Macro's £315m fundraise early in the year, Hedge Funds led the market in secondary fundraising during 2023.

Sector	Total Fundraising in 2023 (£m)
Hedge Funds	315
Global Equity Income	190
UK Equity Income	175
Flexible Investment	126
Infrastructure	102

## Mergers in 2023

Four mergers occurred in 2023, including two mergers that resulted in the combination of three Japan-focused funds.

Merged Companies	Resulting Company	Sector	Date
Nippon Active Value Atlantis Japan Growth	Nippon Active Value	Japanese Smaller Companies	October 2023
Nippon Active Value abrdn Japan Investment Trust	Nippon Active Value	Japanese Smaller Companies	October 2023
Asia Dragon Trust abrdn New Dawn Investment Trust	Asia Dragon Trust	Asia Pacific	November 2023
Shires Income abrdn Smaller Companies Income	Shires Income	UK Equity Income	December 2023

## Liquidations in 2023

Eight investment companies announced their plans to liquidate in 2023.

Investment Company	Manager	Sector	Inception Date	Announcement Date
Blue Planet Investment Trust	Blue Planet Investment Management	Global	Dec 1998	Feb 2023
SME Credit Realisation Fund	SME Credit Realisation	Debt – Direct Lending	Nov 2015	Mar 2023
abrdn Latin American Income	abrdn	Latin America	Aug 2010	Jun 2023
Axiom European Financial Debt	Axiom Alternative Investments	Debt – Loans & Bonds	Nov 2015	Aug 2023
Secured Income Fund	KKV Investment Management	Debt – Direct Lending	Sept 2015	Aug 2023
Momentum Multi-Asset Value	Seneca Investment Managers	Flexible Investment	Mar 1996	Aug 2023
Highbridge Tactical Credit	Highbridge Capital Management	Hedge Funds	May 2006	Nov 2023
Chelverton Growth Trust	Chelverton Asset Management	UK Smaller Companies	Aug 2001	Nov 2023

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## Risks

**Closed-end funds; Market Discounts:** Closed-end funds are designed primarily for long-term investors. Closed-end funds differ from open-end funds (commonly known as mutual funds) because investors in a listed closed-end fund do not have the right to redeem their shares on a daily basis but may sell their shares on the fund’s relevant exchange in the secondary market. Shares of closed-end funds frequently trade at a discount from their net asset value, which is a risk separate and distinct from the risk that a fund’s net asset value could decrease as a result of its investment activities.

## Different LSE Markets for Listed Funds Defined

- **Main Market – Premium:** The LSE’s Main Market segment dedicated to closed-ended investment funds targeting retail and institutional investors.
- **Main Market – Specialist Fund Segment (SFS):** The LSE’s dedicated segment for specialist, closed-ended investment funds targeting institutional, professional, professionally advised and knowledgeable investors. Types of fund investments include private equity, feeder funds, hedge funds, specialist geographical, sophisticated structures of security types, specialist property, infrastructure, sovereign wealth and single asset funds.
- **Alternative Investment Market (AIM):** The LSE’s market for small and medium size growth companies in need of access to capital, providing companies with access to a diverse set of investors and a supportive advisory community, who understand the needs of entrepreneurial businesses.

## London-Listed Investment Company Market Resources

Source	Resources
XAI	<ul style="list-style-type: none"> <li>• Webinar: <a href="#">London-Listed Fund Market Opportunities for U.S. Asset Managers (16 June 22)</a></li> <li>• Webinar: <a href="#">Raising Permanent Capital in the London-Listed Fund Market (1 March 22)</a></li> <li>• White Paper: <a href="#">Finding Success in the London-Listed Fund Market (20 May 21)</a></li> </ul>
London Stock Exchange	<ul style="list-style-type: none"> <li>• Webinar/Conference Replay: <a href="#">London Stock Exchange Annual Funds Conference 2023</a></li> <li>• Article: <a href="#">Investment trusts: setting yourself apart from the crowd</a></li> <li>• Content Library: <a href="#">London Stock Exchange Spark Platform</a></li> </ul>
AIC	<ul style="list-style-type: none"> <li>• Webinar/Conference Replay: <a href="#">The Investment Company Showcase 2023</a></li> <li>• Monthly Newsletter: <a href="#">Compass (February 2024)</a></li> <li>• Fund Information: <a href="#">Compare Investment Companies</a> and <a href="#">Investment Company Screener</a></li> </ul>

For further questions or information requests, please contact us at [info@xainvestments.com](mailto:info@xainvestments.com) or visit our website at [www.xainvestments.com](http://www.xainvestments.com).

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