

Sector view: The most meaningful sector development for the portfolio has been an improved responsiveness by boards towards our corporate engagement. **We have worked actively on your behalf to enhance and protect shareholder value**, resulting in constructive outcomes across several of our largest positions. We hope our five-decade history in the investment trust sector has enabled us to build trusted relationships with managers and boards. Our objective remains to work collaboratively to ensure the investment trust sector not only adapts but thrives.

Two high-conviction ideas and one area of caution

Conviction: HICL Infrastructure Investment Trust (Ticker: HICL LN)

In November 2025, HICL announced its intention to launch a £5.3bn merger with The Renewable Infrastructure Group. We believed the transaction was strategically flawed and value-destructive for HICL shareholders, one of the largest holdings in our portfolio. We had actively avoided investing in TRIG given market conditions in renewables.

After private discussions failed to progress and given the compressed timeline of the proposed deal, we led a public campaign organising shareholders against the transaction. Given the rarity of announced deals being withdrawn, we were pleased to secure a favourable outcome for our shareholders.

We believe HICL's portfolio of roads, schools, and critical infrastructure assets can deliver attractive risk-adjusted returns north of 9% per annum.

Our conviction is underpinned by:

- Strong visibility of cash flows from predominantly inflation-linked, government-backed contracts that are difficult to renegotiate;
- Asset valuations that appear more credible than those in the listed renewables sector;
- Following our recent engagement with the company, we expect that better governance will emerge, and capital allocation will remain disciplined.

Conviction: BlackRock Energy and Resources Investment Trust (Ticker: BERI LN)

Over the last twelve months we built a position in the trust to become its largest institutional shareholder. Through sustained engagement with the board over the year, alongside strong NAV performance, the discount narrowed from double digits to under 2%. This has realised returns in excess of 72% for our shareholders on one of the largest investment trust positions in the portfolio.

While energy and mining are inherently cyclical sectors, the current geopolitical backdrop creates an environment in which sentiment can shift rapidly. This investment demonstrates that discount compression, when paired with improved sentiment, can materially enhance returns over and above the performance of the underlying assets or index.

For investors seeking exposure to energy and mining, we continue to monitor the discount closely to identify opportunities in a trust where we believe governance has improved going forward.

Caution: Listed Private Equity

We remain cautious on the listed private equity sector. In our view, three conditions must be met for the sector to be attractive:

1. Sufficient earnings growth to support valuations;
2. Explicit policies to return capital;
3. Meaningful realisation activity to validate NAVs and enable these policies to work.

At present, the latter two conditions are not met. Policies remain insufficient to return capital from gross realisations once future commitments are taken into account. In addition, realisation activity has yet to provide meaningful validation of reported NAVs. Discounts have narrowed in anticipation of exits, yet despite global M&A activity reaching one of its strongest years on record, follow-through on realisations has been disappointing.

Unless realisations consistently support valuations, we believe caution remains warranted.