Investment Trust Snapshot
April 2026

cgam

Conviction: Murray Income Trust (Ticker: MUT LN)
MUT is a ~£1bn portfolio of UK large cap companies. After years of lacklustre performance, the board announced a strategic review that awarded the management contract to Artemis. This was a surprise to the market given that many of the established peers that trade at modest premiums could well have offered a strategic solution. However, Artemis has an excellent long term track record in their ~£5bn open-ended.The new MUT portfolio essentially replicates this open-ended strategy but at a fraction of the cost (~0.5%) and ~8% discount.

In the current environment, it is disappointing that the board has not used the transition as an opportunity to write a new chapter on discount control. The manager has offered a nine-month fee holiday, which will offer a grace period to settle in, however with near an identical open-ended Artemis product and the widest discount amongst its established peers, the company will be under increasing pressure to both deliver on performance and narrow the discount.

Conviction: 3IN Infrastructure (Ticker: 3IN LN)
We find 3IN to be an exceptional operator of infrastructure assets. Their track record in identifying businesses with dominant market economics has delivered ~18% per annum at the asset level since launch two decades ago, and with 24% of the portfolio sold over the last three years at an average uplift of 76%, they have shown some evidence in validating their NAV.

Last month 3IN found itself at a ~18% discount following the write down of DNS:NET, a Berlin broadband operator that comprised ~6% of NAV. The German fibre business model relies heavily on debt financing to reach critical. The news that a much larger operator is restructuring debt effectively shut underwriting to the sector. We added to our position on the basis that:

- The discount widened beyond pro-forma adjustments for DNS; this possibly reflected a dented confidence in their reinvestment skill however our view was that this was not structural
- 3IN does not have a history of NAV overstatement, the write off suggests a prudent approach, and removes the uncertainty around the NAV from the asset with the highest valuation risk, whilst banks have resumed financing to the sector, we do not attribute any upside to the NAV
- Underperforming assets were cash positive, and did not require further financing
- The sale of TCR, the ground handling equipment operator (20% of the portfolio) will materially reduce floating debt, leaving the business c.£200m net cash after new investments
- The mix of highly cash generative assets such the oil storage terminals and monopolistic market positions in offshore telecoms infrastructure (Tampnet) where EBITDA is expected to double over the next five years, offers an attractive risk adjusted total return profile.

New investments look attractive on a risk adjusted basis, the Lefdal Mine Data Centre has ten year inflation-linked availability contracts and project returns are consistent with their strong asset level track record.

Hassan Raza, CFA
Portfolio Manager

Caution: **Listed renewable energy**
The listed renewable sector saw a package of policy reforms by the government to contain energy costs for consumers and address the structural vulnerability of the UK power sector to global gas markets. Under the current framework, power prices are determined by the price of the marginal source of energy, gas.

Given that the UK is sandwiched between generating up to half its energy from low-cost renewables but competing globally for gas with around two weeks of capacity (vs France at around three months), the government has sought to break the link between gas prices and electricity costs.

A summary of the recent government changes are as follows:

- **Renewable obligation indexation switch from RPI to CPI (Option 1):**The implication is that the inflation accruals to generators will fall (1-3% impact on NAV). This was taken with relief by the industry, as the alternative option would have seen ~10% wiped off the NAV for some solar funds
- **Removal of carbon price support (CPS):** CPS is a tax on fossil fuels that tops up the emissions trading scheme. Carbon prices are an important contributor to the wholesale price of power. Removing this support sooner is expected to cost power producers £4–5/MWh, reducing their forecast revenue and costing producers 1-4% of NAV
- **Increase in EGL:** The levy on extraordinary revenues has increased from 45% to 55% on prices above ~£83/MWh and extended beyond April 2028. This will cap the upside to shareholders if disruption to supply from the Iran war persists, and will also act as an incentive to generators to opt for wholesale CFD model
- **Wholesale CFDs (WCfD) reforms.** This the most significant policy shift, the government has offered "voluntary fixed-price contracts" to existing assets. In theory, this is a positive; generators will have the option to hedge out price risk for longer periods, which could lower discount rates and the cost of financing for these cashflows. In practice, much will depend on the strike price, the tenor and the allocations which won't become clear until 2027. Under energy consultant Baringa's base case[1], they forecast a 10-year contract around £49-57 (real)/Mwh[1] for solar and wind, with only 15-22% of the total non-CfD low carbon capacity likely to move over

Taken together, the four measures reshape the risk-reward of legacy assets reducing inflation uplifts, lowering merchant revenue, capping upside, and offering a fixed-price exit at strikes that could sit below current NAV assumptions.

The WCfD reforms appear more like a managed transfer of merchant upside to consumers than an unambiguous positive for listed renewables. Clearly, much will depend on the strike price but cumulatively, frequent interventions and years of uncertainty on other proposals (zonal pricing) that were ultimately rejected, have raised the cost of capital for listed renewables.

Against that backdrop, **our positioning continues to favour core infrastructure trusts where valuations have been proven out through transactions, the regulatory regime is more stable, and contract rights more robust.**

1. Baringa Partner, Breaking the link' between GB gas and electricity prices: Initial analysis of the proposed 'wholesale CfD'