The Telegraph

Questor: our tip of the year turned up trumps, but our Swedish adventure has fallen flat

Questor investment trust bargains: a look back at our recommendations includes a 19pc gain from Smithson and a 20pc fall from Kinnevik

30 December 2021

By Richard Evans

It has become traditional at this time of year to summarise our performance since New Year's Day. Yesterday, we did so for our stocks and will look today at our investment trusts, but perhaps the most striking figure is the number of new trust tips we wrote this year: just eight, including one tipped in our Sunday column as opposed to the usual Thursday.

It's not much of a boast, but our investment trust tips did at least do better than our stocks, which have lost an average of 1.9pc this year. The trusts managed a positive return of 3.9pc. But the FTSE 100, on a comparable basis, gained 4.7pc so we have underperformed, if only just. Only two of our eight selections lost money, however.

The best performer was Smithson, which comes from the same stable as the popular Fundsmith Equity fund. Smithson focuses on smaller companies than its longer-established sister and has gained 19.1pc since we made it our investment trust tip of the year in the first week of January. We quoted the views of Callum D'Ath of Brewin Dolphin, the wealth manager.

"I think Smithson is brilliant," he said. "It is one of those investment trusts that you can buy and lock away."

He said he suspected that Smithson, managed by Simon Barnard, had the potential to outperform Fundsmith Equity because of its bias towards medium-sized firms. "These are well-established businesses with a huge runway for future growth," he said.

Very different is RIT Capital Partners, which exists to preserve wealth rather than to grow it quickly. Despite this conservative mandate, reflected in a diversified portfolio that encompasses quoted shares, private companies, hedge funds, property, gold and currencies, its shares have risen by 16.5pc since we advised readers to buy them in March.

We were fortunate with our timing: the shares were trading at a discount estimated at 7pc at the time, but that discount has now vanished and the share price is close to net asset value.

PRS Reit has also done well in a short time: its shares have risen by 5.9pc since our tip late last month. One of its advantages in these inflationary times is its ability to raise rents each year on its properties, which are family homes let out individually.

Strategic Equity Capital, whose shares have risen by 4.5pc since we tipped them in June, has some similarities with Smithson: it invests in smaller stocks, although it does so domestically rather than globally. Its manager, Ken Wotton, has built a strong reputation as an investor in smaller stocks.

It avoids "old economy" sectors such as oil, mining and banking and limits its exposure to cyclical parts of the market, which typically results in a portfolio heavy in software, healthcare and business services stocks.

Our fifth best performer was Ediston Property Investment Company, whose shares have gained 4.3pc since our tip of just a week ago. It's an awkward fact that on occasion a recommendation from this column can itself boost an asset's value, especially at a time such as the festive period when there is not much trading otherwise. Typically the effect fades after a few weeks.

Shares in Bluefield Solar Income have gained 2.3pc since we backed them in October. The trust owns and operates one of Britain's largest and most diverse portfolios of solar power assets. Its yield of 6.4pc at the time of our tip again offered the prospect of inflation-beating returns.

Our first loser is Chrysalis Investments, although the fall in its share price since our tip in October is an inconsequential 1.2pc. Longer-term performance is reassuring: the shares listed at 100p only in November 2018 and have now climbed to 240p. The fund invests in both quoted and unquoted smaller companies, and aims to support their growth with capital and expertise.

Only one quoted portfolio has really disappointed this year: Kinnevik, which is listed in Sweden and is therefore not strictly speaking an investment trust, but operates in much the same way. We tipped it in August and its shares have fallen since then by 20.1pc in Swedish kronor.

We backed it partly as a result of its recruitment of James Anderson, currently co-manager of the Scottish Mortgage trust, as chairman from next year. Anderson has said of Kinnevik: “I have long admired it as a great exemplar of a patient, committed and quintessentially Swedish investment style.”