



# Investment Companies Research

## MIGO Opportunities

Global

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25 July 2024 | 09:24 BST

### Results: One of the best return outlooks in its 20 yr history

**MIGO Opportunities' results for the year to 30 April, its 20th anniversary, highlight a strong period of performance. The trust benefited from its holdings in emerging markets ICs, uranium and biotech, whilst its property holdings continued to be the main detractor. MIGO has performed well over the 20 years since its launch, with NAV total returns of 258% vs. 113% for SONIA + 2% and 292% for the Numis All Share Index, despite a period for performance in much of 2022/23. The appointment of AVI Global as manager, effective December 2023, ended a period of uncertainty around the future of the management, which we expect will have been reassuring to investors, especially with Nick Greenwood and Charlotte Cuthbertson remaining at the helm. Reforms to misleading cost disclosures would also help rerate persistent discounts across the sector, and we note that a members bill is being presented to the House of Lords and positive comments from the new Treasury Minister that the government will consider all options.**

MIGO Opportunities has a unique mandate, through its focus on exploiting pricing inefficiencies among closed-end funds, with low correlation to mainstream indices. The managers seek funds that have fallen out of favour and trade on wide discounts, with the potential to narrow through a change in sentiment and/or corporate action. The mandate is well-suited to the closed-end structure given that holdings are often relatively illiquid and small. We believe it remains well-placed to deliver attractive returns to investors in real terms, and that now is an attractive time to invest given that the average discount of underlying holdings remains wide. The top 10 holdings are trading on a weighted average discount of 29.6% and the company comments that the *"return outlook is one of the best that they have seen in the history of MIGO"*. Furthermore, its triennial redemption opportunity is approaching in September 2024, for investors who wish to realise their holdings. However, we do not anticipate too much uptake given recent performance and the fact that fund benefits from a supportive register and is trading on a tight, c.3%, discount.

- Performance:** MIGO Opportunities' annual results to 30 April show NAV total returns of 11.3% (FY23: -9.3%), in sterling terms. This compares to a 6.9% increase in three-month SONIA + 2% (FY23: +4.6%), +10.9% for the Numis All Share inc. IC index, in sterling terms. The standout driver of positive performance was **Georgia Capital** (with a 74% share price return in the year to 30 April), where increasing wealth means the population can now afford to educate children privately, use private healthcare and insure their property, all industries which feature prominently in Georgia Capital's portfolio. Other contributors included **India Capital Growth** (+46%), benefiting from a strong Indian market, especially in the small and mid-cap space, and a narrowing discount; uranium trusts **Yellowcake** (+71%) and **Geiger Counter** (+46%), with limited supply resulting in the uranium price peaking at \$106 in January; and **Biotech Growth** (+22%). The main detractors were property trusts, including **Phoenix Spree Deutschland** (-21%), which has been hit by several disappointments in recent years, and **Macau Property Opportunities** (-30%), which despite being in wind-up continues to face uncertainty due to a lack of transactions. **Aquila European Renewables** (-19%) also detracted, and the managers note that a *"corporate raider"* could allow for cash to be returned to shareholders. Since 30 April, the NAV is 2.9% on a total return basis, vs a rise of 2.0% for the Numis All Share inc. Investment Companies index.

Price	358.5p
Market Cap	£81m
Discount	3.0%
Ticker	MIGO.L
Broker	Yes
Website:	<a href="http://www.migopl.com">www.migopl.com</a>
Share price(s) timed at 4:30PM on 24/07/2024	

#### Analysts

**Ash Nandi**+44 (0)20 7260 1404  
a.nandi@dbnumis.com**Ewan Lovett-Turner**+44 (0)20 7260 1254  
e.lovett-turner@dbnumis.com

#### Sales

**James Glass**

j.glass@dbnumis.com

**Justin Bell**

j.bell@dbnumis.com

**Tod Davis**

t.davis@dbnumis.com

**Gus Jhaj**

g.jhaj@dbnumis.com

**Sam Murphy**

s.murphy@dbnumis.com

**Priyesh Parmar**

p.parmar@dbnumis.com

#### Website

[www.numis.com/funds](http://www.numis.com/funds)

**Portfolio Activity:** There have been a few new entrants to the portfolio, whose acquisitions led to MIGO utilising gearing for the first time since 2020. The managers comment that they were mainly in sectors that have been hit by rising interest rates, including trusts that the market perceived to have early stage, unprofitable companies, such as in the growth private equity sector. The position in **Chrysalis** was rebuilt and holdings were bought in **Schiehallion**, **Augmentum Fintech** and **Seraphim Space**, where steep discounts reflected fears that the capital-hungry companies would raise insufficient cash to remain afloat in a hostile environment, even though in reality, the business models of many of their investee companies had pivoted towards profitability, with major cash runways.

Alternative income exposure was also increased, including holdings in **VH Global Sustainable Energy Opportunities**, **Atrato Onsite Energy** and **Cordiant Digital Tufton Oceanic Assets**, owner of fleets of ships which it leases to major shipping lines, is MIGO's largest new holding, where reductions in supply due to ESG regulations means that second-hand values remain strong, whilst a recently-announced realisation strategy in 2028 means that there should be a pull to redemption. Meanwhile, half of the holdings in Uranium trusts Yellowcake and Geiger Counter were sold after the uranium prices spiked in January.

Table 1 - MIGO - Top 10 Holdings

Company	Business	% of portfolio	Mkt cap £m	% Prem(+)/ Disc(-)	Price Total Return % in £ FY24	Since 30 Apr
VinaCapital Vietnam Opportunity	Vietnamese equities & private equity	5.9%	725	(19.1)	16.1	0.7
Baker Steel Resources	Mining	4.7%	57	(33.3)	8.0	8.0
Oakley Capital Investments	Private equity	4.5%	917	(26.4)	0.8	10.0
Tufton Oceanic Assets	Shipping, Asset Leasing	3.9%	296	(15.8)	9.9	12.7
Georgia Capital	Georgian equity & private equity	3.8%	434	(57.3)	69.4	(23.0)
JPMorgan Indian	Indian equity	3.8%	709	(18.2)	20.6	6.1
Aquila European Renewables	Renewables	3.6%	177	(27.6)	(19.6)	(10.7)
Geiger Counter	Uranium	3.3%	68	(14.0)	46.8	(11.6)
Real Estate Investors	Commercial & industrial properties	3.2%	60	(38.1)	25.1	2.9
Phoenix Spree Deutschland	Property in Germany	3.1%	145	(56.5)	(27.5)	7.5
<b>Top 10 Holdings</b>		<b>39.8%</b>		<b>(29.6)</b>		

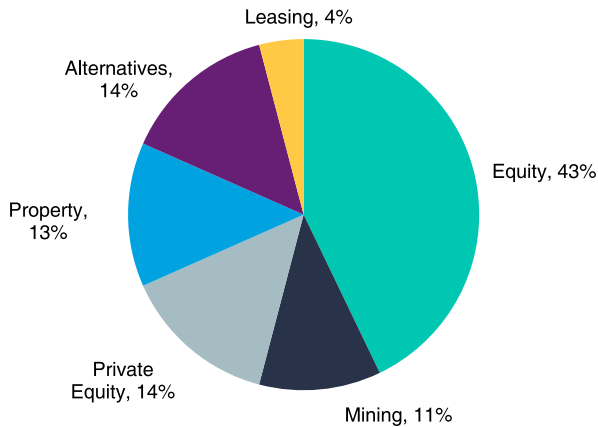
Source: Company, Bloomberg. Holdings as at 31 May, performance to 24 July. Discounts to Numis estimate of NAV at 24 July. RLE discount at 30 April.

**Management arrangements:** MIGO Opportunities announced the appointment of Asset Value Investors as manager in July, to succeed Premier Miton, which became effective in December. There is no change to the investment policy, fee structure, or discount control mechanism. AVI hired both Nick Greenwood and Charlotte Cuthbertson to continue to manage the portfolio as the mandate transitions from Premier Miton to AVI.

**Ongoing charges:** The Board once again highlight the ongoing charges issue facing the fund, and the sector as a whole, noting that they consider the ongoing charges figure (OCF) quoted on the key information document (KID) for investors is misleading. They note that whether actual and underlying costs are presented as a single figure or in a layered manner, many retail investment platforms and readers will add them together. In an industry where low fee levels can be misunderstood as a way to estimate value, this can be a problem. The Board eagerly awaits further development, having lobbied the Association of Investment Companies (AIC) and HM Treasury for exclusion of investment companies from the 'single figure' OCF disclosure requirement across retail categories. They note that the AIC has made a submission to the FCA recommending exclusion of investment companies from the current regime, but believe that UK general election may "stand in the way" of an early resolution.

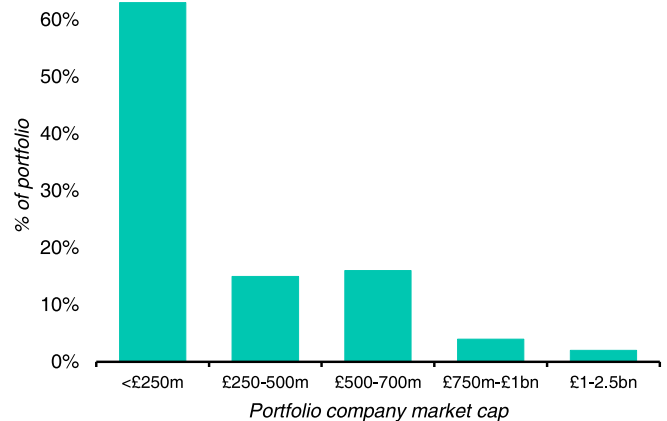
**Cost reform:** We note that a private members bill put forward by Baroness Sharon Bowles will be heard in the House of Lords on 5 September, and it is positive that the Treasury Minister, Lord Spencer Livermore has commented the government will consider all options for reforms to investment company cost disclosure rules.

Chart 1 - MIGO - Asset allocation



Source: Company, as at 31 May 2024. Excludes cash

Chart 2 - MIGO - Portfolio by market cap



Source: Company, as at 31 May 2024

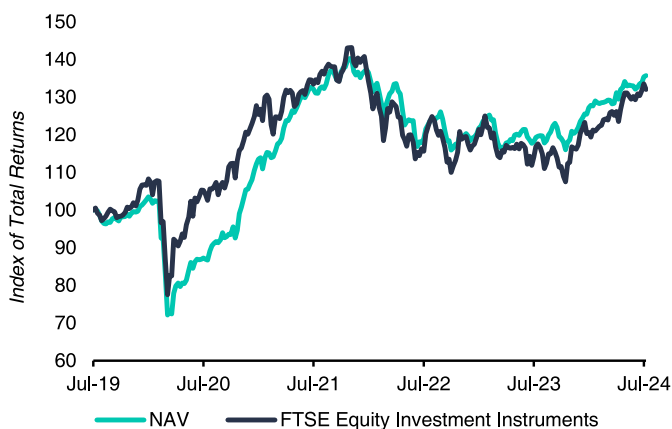
**Realisation opportunity:** MIGO has a triennial redemption facility for up to 100% of share capital at NAV. This will be offered at the 2024 AGM on 18 September.

**Buybacks:** During the year, MIGO has repurchased 1.76m shares (7.2% of opening share capital) at discounts ranging from 2.0-5.7% to limit discount volatility. Post year-end, a further 75k shares (0.33% of opening share capital) have been repurchased.

**Dividend:** A final dividend of 0.6p per share (0.2% yield) has been declared to comply with the investment trust rules on distributable income, as a result of the revenue accounting profit in the year.

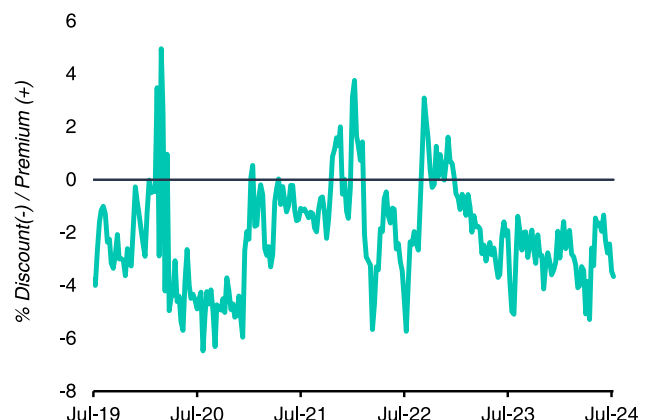
**Outlook:** The investment trusts sector has been facing a multitude of headwinds in recent years, which has led to extreme discounts, especially on funds with exposure to alternative asset classes. The managers believe these have the potential to turn into tailwinds, as interest rate pressure abate. They are disappointed with the delays to the cost disclosure reform caused by the snap election, but believe that when a sensible reform is eventually reached, this could cause trust prices to rally sharply. However, until then, such wide discounts remain unsustainable and if the market fails to realise their value, the real world will claim the underlying assets cheaply, with such transactions reducing the oversupply of unwanted shares. The managers look forward to the sector emerging from such a hostile state so investors can enjoy the powerful combination of rising net asset values and narrowing discounts.

Chart 3 - MIGO - 5Y NAV Performance history



Source: Datastream, Morningstar, Deutsche Numis

Chart 4 - MIGO - 5Y Discount history



Source: Datastream, Morningstar, Deutsche Numis

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