MIGO Opportunities (MIGO)

MIGO's portfolio looks completely different and strikingly cheap.

Update
18 December 2025

Overview

In June, the board of **MIGO Opportunities (MIGO)** announced a revised approach to managing the trust, which has seen its portfolio revamped since. MIGO 2.0 is much more concentrated in the managers' higher conviction positions and focussed on the areas of the closed-ended funds sector with the widest discounts and the potential for shareholder engagement to drive value and take advantage of what the team call a 'generational opportunity'.

Managers Charlotte Cuthbertson and Tom Treanor, who was appointed co-manager in the wake of Nick Greenwood's retirement, have essentially completed the transition process and built a **Portfolio** concentrated in deeply discounted investment trusts in predominantly the alternative assets sectors, in particular in renewable infrastructure (encompassing traditional renewables, battery storage, and energy transition). On a selective basis across the sector, they see examples of companies where these discounts are more technical in nature and arguably more to do with the investor base for the structure rather than attributable to fundamental issues.

Engagement should play a larger role in value realisation than it has in the past, with the managers working with boards to implement discount narrowing strategies. MIGO has an open-ended sister fund as well as a segregated mandate run in the same strategy, which should give the managers more influence as the funds have similar holdings. The small number of overlapping holdings with AVI Global further increases this in some instances.

Along with the change of strategy, the management fee has been slashed and a performance fee introduced, aligning the interests of manager and shareholders more closely and indicating the team's confidence in the strategy. MIGO 2.0 will be capped at £150m of net assets, with excess funds returned to shareholders, in order to facilitate its high conviction approach and ability to invest across the market-cap spectrum in sector, as well as adding another liquidity opportunity to investors on top of the triennial continuation vote and liberal use of buybacks (see **Discount**).

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Analyst's View

While equity trusts have seen their discounts narrow significantly from the late 2023 wides, alternative asset sectors remain full of extreme discounts, which represent exceptional opportunities if anything close to the reported NAVs can be achieved via corporate activity. MIGO offers a way for investors to take advantage of this situation, implemented by a specialist team who have the resources and experience to distinguish between the high-quality assets and the value traps. We think its new strategy is clearer, cleaner, and more focussed, and both the engagement-heavy approach and the commitment to cap the NAV at £150m make the route to value realisation more visible and immediate.

A more concentrated approach brings more single-stock risk, which has to be borne in mind, but also holds out the potential for major uplifts to NAV if and when the largest positions come good. These gains should be relatively uncorrelated to equity markets, ironically fulfilling one of the features that alternative assets always offered.

Charlotte and Tom have maintained a **Geared** position at the trust level, which demonstrates their conviction in the current opportunity set. This is further demonstrated by the charging structure agreed, which leans on performance fees (with a cap) and a commitment to reinvest 25% of any such fee in MIGO's shares.

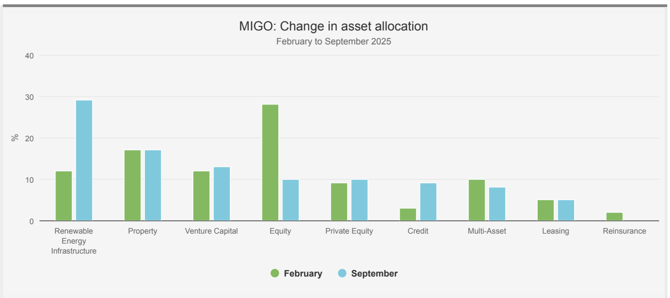
BULL
Exceptionally wide discounts have created a rare opportunity
Specialist team devoted to the sector, with experience in engagement and activism
Multiple liquidity opportunities are expected

BEAR
Concentrated portfolio brings single-stock risk
Corporate activity is unpredictable and may disappoint in significant individual positions
Politics and policy in renewables create risks for some holdings in some key jurisdictions

Portfolio

MIGO Opportunities' (MIGO) portfolio has been revamped in recent months, becoming much more concentrated and focussed on the alternative assets sectors where managers Charlotte Cuthbertson and Tom Treanor see the most value and the most potential for engagement to drive outsized returns. Since the announcement of the new strategy in June 2025, Charlotte and Tom have sold many of the equity trusts they held, in particular those where the catalyst for a rerating was less clear. The main shift stands out in the chart below, with a major increase in the weighting to renewables infrastructure at the expense of equity. This renewables exposure encompasses some diverse underlying assets, with companies outside mainstream solar and wind, including areas such as battery storage and energy efficiency, but all are trading at an implied massive discount. Within the top ten holdings alone, this includes look-through exposure to UK battery storage (GRID), US and Brazilian hydro and energy storage assets (ENRG), US and European solar power and energy efficiency projects (SEIT), amongst many others. It's also notable that the exposure to private equity and credit also ticked up as public equity exposure has declined.

Fig.1: Asset Allocation



Source: AVI

Discounts in the equity sectors have narrowed considerably over the past two years, with Saba having an influence, while mergers and wind-ups have taken capacity out of the space. By contrast, discounts remain wide across many alternative assets sectors where the managers believe the ratings under-estimate the value that could be realised through divestments or portfolio sales. Tom brings a great deal of experience in activist engagement to the management team (which he joined when the strategy changed in June), which should prove valuable as the managers aim to push boards to unlock this latent value.

The concentration of the portfolio is the other major shift, and this should facilitate the engagement efforts. Larger shareholdings will give the managers greater influence — and in some cases, MIGO is investing alongside other AVI funds — while it will also allow a greater focus of research and attention on each idea. (Of course, it also brings greater potential for the largest holdings to move the needle irrespective of whether it is via engagement or not.) The top-ten accounts for 58% of NAV as of the end of October, up from 45% in April, while the number of holdings has fallen to 33 from 52 as of the same dates.

We show those top-ten holdings in the chart below, with the diverse set of renewables-focussed trusts prominent. Four of the top-ten holdings are in this space, including the second-largest position, Gresham House Energy Storage (GRID). GRID owns battery assets which back up renewable energy production. The managers note that its peer, Harmony Energy Income Trust (HEIT), was bought out at a price in line with its reported NAV and at a c. 42% premium to the pre offer period share price, when the shares were trading on a c. 31% discount. Despite the transaction evidence, GRID continues to languish at a discount after the difficult years of 2023 and 2024. In fact, they think there is also some very strong potential for gains in the NAV too, with the board currently investing in an augmentation programme to extend the duration of the assets; the managers estimate material NAV gains from this programme over the next 18 months. As such, while they are often keen to see boards buying back shares to crystallise the value in discounts, in GRID's case, they are happy to see the augmentation process and new pipeline build-out proceed, as it could see the portfolio become even more attractive to an acquirer. Also included in the top-ten holdings are renewables funds VH Global Energy Infrastructure (ENRG), SDCL Energy Efficiency Income (SEIT) , and the US Solar fund (USF).

Top Ten Holdings

Holding	Percentage (%)
Chrysalis Investments	7.8
Gresham House Energy Storage	7.3
VH Global Energy Infrastructure	6.4
GCP Asset Backed Income Fund	6.4
Baker Steel Resources Trust	6.2
HarbourVest Global PE	5.7
PRS REIT	5.5
SDCL Efficiency Income	4.5
US Solar Fund	4.5
Georgia Capital	4.2
Total	**58.5**

Source: MIGO, as at 30/09/2025

A series of wind-ups and portfolio sales within the alternative assets sectors represents the unwinding (no pun intended) of a wave of issuance in the alternatives space in the low-interest rate era between the GFC and the pandemic. The renewables portfolios cited are all part of this trend. ENRG, for example, came under pressure from shareholders to wind up and formally entered wind-down in May. The managers think that due to the attractive assets in the portfolio, substantial returns of cash are likely in the near term. SEIT , meanwhile, is seeking divestments to repay its credit facility and ultimately return cash to shareholders. This process is only likely to be accelerated following news in early December that it was in breach of its gearing limit. The board notes that asset sales are imminent, which should see gearing come down below this level shortly, but also that it is less likely to recommend continuation in its current form next year — potentially good news for MIGO as it could bring forward asset realisation. USF is in a managed run-off, with a cautious approach being taken given the unhelpful attitude of the current US administration, and Charlotte and Tom note that the nearly 10% dividend yield means investors are being paid well to wait for asset sales to come through. GCP Asset Backed Income (GABI) doesn't have a renewables focus but is another in a formal wind-up: the managers expect a very attractive IRR as their base case from here.

MIGO continues to own a number of holdings in the traditional private equity space, which are trading at very wide discounts. HarbourVest Private Equity (HVPE) is the largest holding in this space. Charlotte and Tom note that there is a continuation vote next year, and with the shares on a wide discount — 30%, in from 40% earlier this year — there has to be a chance this vote is for wind-up. Meanwhile, the manager runs some "evergreen" private funds with limited liquidity windows, which offer it an alternative source of capital, and it may be that, in time, they prefer to focus on those funds rather than HVPE. In short, the managers think there are a number of ways the value in the deeply discounted portfolio could be crystallised. MIGO also owns Pantheon International (PIN), and in both cases, contributed to shareholder pressure for buybacks, which have contributed to some discount narrowing over the past year or two. It remains a sector they think is ripe for engagement and activism.

Top holding, Chrysalis (CHRY), sits in the adjacent growth-capital sector, and illustrates many of the features Charlotte and Tom are looking for and how they can work for shareholders. Since Q4 2023, when discounts bottomed out in the sector, the shares are up around 80% (having come off a bit in 2025). The discount has come in from around 55% to closer to 30%. CHRY has seen some successful realisations over the past few years close to or above NAV, notably Wise and Featurespace. Cash raised has been used to buy back shares, which has boosted NAV per share and helped the discount close. Portfolio holding Klarna's IPO this year was another success for the trust, although it maintains its position in the company, and the shares have since declined in a tricky economic environment. MIGO invests in CHRY alongside other AVI funds, which together own around 17% of the shares, and they continue to press for the portfolio to be sold down and capital distributed to shareholders rather than new investments being made.

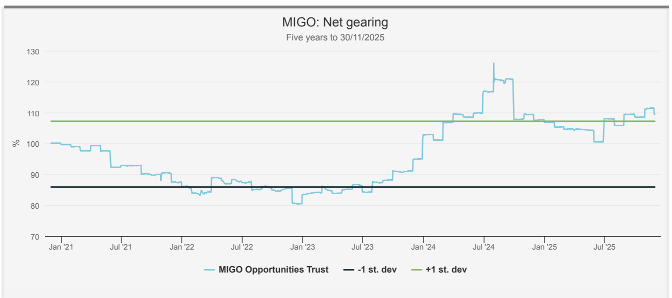
As well as Tom's personal experience with engagement, MIGO 2.0 also benefits from the team at AVI with experience conducting shareholder activism projects for AVI Global (AGT). Charlotte and Tom have resources and experience to draw on when it comes to campaigns in what are generally quite specific sectors, and this should hopefully help them identify those with the higher-quality assets. As a much smaller trust than AGT, MIGO can also take more meaningful positions in some of the smaller trusts on the market, as well as offering purer exposure to the exceptional opportunity in discounted closed-ended funds.

The managers tell us that the revamp of the portfolio is all but complete, with the core having formed. There remain a handful of holdings where the team think there is still plenty of value, even if they don't quite fit the new approach; as such, they want to realise these opportunities over time to maximise returns, and as these are sold the number of holdings could fall further and the concentration in alternative assets could rise even more.

Gearing

The managers took out gearing in late 2023/early 2024 to take advantage of the exceptional opportunities in the trust sector at the time, with discounts having widened dramatically as the impact of high interest rates was felt. Charlotte and Tom continue to find the opportunity set extremely attractive, and have maintained gearing at around the 10% level. They have been reinvesting any cash that has come back into the portfolio, seeking to concentrate it in their higher conviction names.

Fig.2: Net Gearing



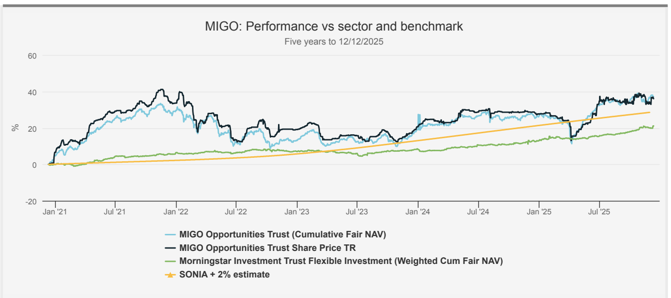
Source: Morningstar

Gearing is taken through a revolving credit facility of £10m. On this, the trust pays SONIA plus 1.45%. The strategy is to use it as a source of cash when the managers have more bottom-up ideas they want to buy, rather than as an overall call on the market to be invested across the portfolio. The investment policy officially restricts gearing at the portfolio level to a maximum of 20% of NAV at the time of borrowing. It's worth noting that gearing can be high on underlying holdings too, particularly in the alternative assets space, increasing MIGO's exposure to the value of these assets.

Performance

MIGO has delivered returns well ahead of its benchmark over the past five years. NAV total returns of 37.1% compare to a return of 28.5% for the SONIA plus 2% benchmark, by our calculations. For completeness' sake, we include the sector return in the chart, but it is a disparate group of funds with very different strategies.

Fig.3: Five-Year Performance



Source: Morningstar, Kepler calculations
Past performance is not a reliable indicator of future results.

This past five years has been a good period for equity markets, with the FTSE All Share delivering c. 71%. It's notable that MIGO is still in drawdown from its late 2021 highs while equity markets have surpassed them. This is because discounts in the closed-ended funds space widened over 2022 and 2023 as a uniquely rapid rate hiking cycle hit demand, in particular for funds investing in alternative assets. There has been no broad-based recovery as yet, with rates slow to come down, which explains why MIGO's NAV has lagged equity markets in the past couple of years.

However, this situation is the source of the current opportunity. A slow rate cutting cycle brings the likelihood of a slowly improving performance held by the alternative asset funds in MIGO's portfolio. Meanwhile, corporate activity has been gathering momentum as time has gone on, and this is where Charlotte and Tom expect the big gains to come from. Sales of assets at or near NAV by a number of the funds in the sector have highlighted that, in many cases, the issue causing discounts to remain wide is specific to the structure and the investor base. With top holding Chrysalis, for example, the managers view the best route forward for the company being to realise the assets and distribute the cash to shareholders. While this may take time, the wide share price discount (MIGO's average purchase price was at an even wider discount than the current 34%) and the growth potential in the NAV – made up of high growth fintech businesses – could be a powerful combination. CHRY's shares are up c. 56% over the past three years, ahead of broad global market indices, yet the discount remains remarkably wide.

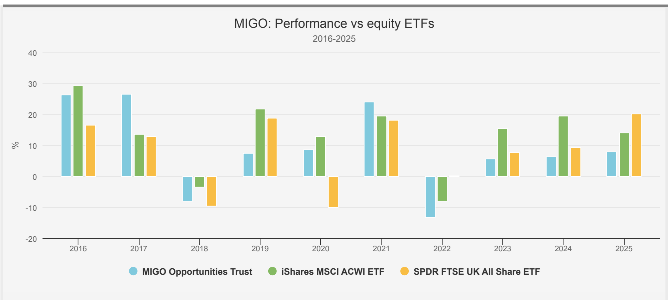
Another success story this year has been PRS REIT, which saw MIGO's managers contribute to pressure which led the company to elect a new board and put the portfolio up for sale. A sale of the portfolio has been approved by shareholders in a deal which values it at 115.0p per share, well ahead of the price in the 80s in late 2023 when MIGO built its position. This is a good example of the value that can be realised by engagement. Abrdn European Logistics Income (ASLI) is another success story, slowly achieving a piece-by-piece sale of its portfolio over the year which has crystallised a discount of c. 35% in Q4 2023.

On the other hand, there have been some disappointments this year. Aquila European Renewables has delivered poor returns thanks to the board struggling to sell its assets at an attractive price. The investment thesis was that its portfolio of renewable assets would be attractive to a buyer outside the closed-ended fund sector. However, the board has struggled to find a buyer, with a major deal falling through. One of the issues is that some of the assets have proven to be of more questionable quality than MIGO's managers thought.

Charlotte and Tom note that with so much of the portfolio in run off, wide discounts are going to zero, and so the question is whether that is by the share price rising to meet the NAV or the NAV realised in sales being lower. The potential is clearly very high, but successful stock-picking will be key. Their analysis starts with the level of discount versus history to generate ideas, before proceeding to in-depth analysis of the NAV, looking for underlying assets with favourable prospects. The managers use a variety of techniques to this end. They look at private transaction data, use expert networks and interrogate the assumptions used in net asset value calculations to then create IRR scenario analysis. This involves forecasting out financial returns in a number of possible future outcomes and assessing the probabilities of each. Understanding the reason for a discount is key, and then any potential catalyst for it to narrow. The scenario analysis helps to identify situations where they believe there is an asymmetric return profile where the downside scenario is limited but there is considerable upside in the base and blue sky outcomes.

We think the below chart is interesting as it shows a couple of things. The first is that MIGO outperformed UK and global equity indices in 2021 when markets rallied and discounts narrowed across the board. This shows the potential in the strategy when risk appetite returns, Secondly, it underlines how the trust has not kept up in the three years since, in contrast to its good performance in most other rising markets (2019 being the only real exception). We attribute this to discounts remaining stubbornly wide for reasons discussed, and we think the catch-up potential is clear.

Fig.4: Returns



Source: Morningstar, 2025 to 12/12/2025

Past performance is not a reliable indicator of future results.

Dividend

MIGO's objective is to generate capital growth for shareholders, and the board's policy is to only pay out a dividend if required to retain investment trust status, which by regulation is 85% of any net income for the year. This means that no dividend will be paid if the portfolio does not generate sufficient income to offset costs—investment management fees and other expenses are charged first against the income account, reducing the chance of a dividend being payable. No dividend was paid for the year ending 30/04/2025.

Management

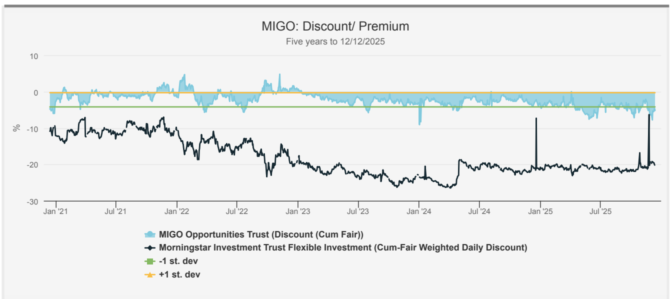
Charlotte Cuthbertson and Tom Treanor are co-managers of MIGO. Charlotte has managed the portfolio since 2017 when she joined former co-manager Nick Greenwood, who retired from the team in June. Tom joined in June in order to help Charlotte implement a new investment strategy, with a higher conviction portfolio more focussed on the alternative sectors and with activist engagement more central to the investment approach.

Prior to joining AVI in July 2023, Charlotte worked at Tyndall Investment Management and Premier Miton plc, where she assisted Nick Greenwood in managing MIGO. Tom is head of research at AVI, which he joined in 2011, and has over 20 years of experience in the closed-ended funds sector. In particular, he has been heavily involved in AVI's activist approach to engagement, building relationships with board members and shareholders across the sector which will be a particular advantage when it comes to implementing the new strategy.

Discount

The glaring discount opportunity in MIGO's portfolio (the top ten holdings averaged a discount of c. 32% at the end of September) is compounded by the discount its shares trade on to NAV. As the chart below shows, the discount has traded in a range of roughly 0% to 4% since the rapid interest rate hiking cycle of 2022 pushed out discounts across the investment trust sector. There is currently no evidence of the change of strategy this summer having an impact, with the discount at the time of writing being 5.2%. Now that the portfolio is considerably more concentrated, we think there is scope for some meaningful NAV uplifts to demonstrate the potential in the strategy, and this could be the catalyst for a rerating.

Fig.5: Discount



Source: Morningstar

Under the new strategy, the board has committed to keep the NAV below £150m to enable concentrated positions in some of the smaller trusts to move the needle in terms of performance. The board states that if NAV rises above this it expects to introduce a capital return mechanism to provide a liquidity opportunity to shareholders, which could help prevent a meaningful discount on MIGO's own shares opening out over the medium to long-term. There is also a three-year realisation opportunity provided for in the articles of association, the last one of which was held in September 2024. This should allow shareholders to elect to redeem their investment at NAV, less costs. In 2024, shareholders owning just c. 5% of the shares elected to realise their investments.

Meanwhile, the board continues to utilise buybacks and share issuance as appropriate in order to maintain a sustainable low discount or premium. In the 2025 financial year, ending 30/04/2025, c. 9% of the shares were bought back outside the redemption facility, and in the current financial year we estimate c. 7.5% have been repurchased at the time of writing.

Charges

MIGO's management fee has been slashed and a performance fee introduced as a part of the overhaul of the strategy. A reduced ongoing management fee of 0.35% of market cap or NAV, whichever is the lower, is an improvement on the 0.65% previously charged. Meanwhile, the performance fee is 15% of the returns above SONIA plus 3% per annum, with a high watermark meaning the same performance gain isn't paid for twice. We like performance fees, if coupled with low base management fees, as they increase the incentives for managers to add alpha. We also think that agreeing to this structure is evidence of Tom and Charlotte's enthusiasm for the current opportunity in the closed-ended funds universe, which they describe as a once-in-a-generation chance. In fact, AVI proposed to reinvest 25% of any performance fee paid into MIGO shares, to which the board has agreed, subject to a 5% cap on AVI's interest in MIGO shares, and a minimum 3-year hold period for shares acquired under this mechanism.

The reduction in the management fee means that the ongoing charges (OCF) should fall from the 1.7% calculated for the last financial year, depending on the returns versus the hurdle rate. We note that OCFs are incorporated in the published NAVs and not an additional detractor from the share price.

ESG

ESG matters, including climate change, are frequently discussed in meetings with portfolio companies and are also part of the risk assessment when deciding on whether an investment should be made. In particular, Tom and Charlotte are aware that trusts perceived to be falling behind on ESG and climate change matters could see their shares trade at wider discounts than peers. It is, therefore, an important part of the risk assessment when looking at possible investments. That said, the portfolio is highly diverse, and the managers will look for all sorts of ideas, including those in sectors or with special situations which might be considered to have a poor ESG profile at first glance. Detail on the manager's approach to ESG can be found on their website. The trust does not have a rating from Morningstar for sustainability.

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