



Unicorn Asset Management

Mastertrust Fund

Q1 2025 Team Commentary

Market Review

Global equity markets were struggling in Q1 2025, even before Trump tariff turbulence began in earnest, as investors became increasingly worried about concentration risk in the US market. On the surface, a quarterly 4.3% fall in the world index was nothing much to write home about. But it disguised a dramatic rotation out of growth stocks and the US market, into value stocks and other global markets. Developed markets (excluding the US) thus outperformed the US by 11%. The action focussed on large capitalisation stocks such that in the UK large caps appreciated by 5% while small caps continued to be unloved and fell by 3.6% on average. In the investment companies sector, the actions of activist investor, Saba Capital, continued to grab the headlines. While their designs to take control of one or more Boards were rejected by the shareholders of the so-called miserable seven investment trusts, their presence continued to focus the minds of most sector participants and Boards in particular.

Performance, Activity & Fund Commentary

Over the course of Q1 2025 the Mastertrust net asset value retreated by 1.3% while the average Investment Company share price fell by 3.7%. As mentioned, the period under review was not helpful for UK smaller companies and the most significant detractors from Mastertrust's performance were Strategic Equity Capital (share price total return -11.8%) and Aberforth Smaller Companies (-8.5%). Listed Private Equity trusts experienced further discount widening over the quarter with Pantheon International and Oakley Capital falling by 7% and 5% respectively in share price terms. Sentiment towards the biotechnology sector remained poor with the RTW Biotech Opportunities share price down by 15.9%. The greatest positive contributions were attributable to Fidelity European Values (+10.1%), JPMorgan European Discovery (+9.3%) and Golden Prospect Precious Metals (+40.9%). Within the portfolio we added to the holding in Fidelity Special Values and established a new holding in Achilles Investment Company. The latter is a new investment company which seeks to maximise value for shareholders through constructive activism in the alternative asset trust sectors.

	YTD	2024	2023	2022	2021	2020
Mastertrust	-1.3	9.5	6.8	-13.6	15.7	9.1
FTSE Equity Investment Inst.	+5.0	8.7	4.9	-16.6	12.8	17.8
IA Flexible Investment	-1.6	9.4	7.1	-9.0	11.3	6.7

Figures as at 31/03/2025

Past performance is not a guide to future performance, performance is based on returns net of fees. Your capital is at risk, the value of investments and the income from them may go down as well as up. Investors may not get back the amount of their original investment

Outlook & Positioning

The supply/demand dynamics in the investment companies market continued to improve in Q1 2025 with sustained share buyback activity, returns of capital and further announcements of plans to address persistent discounts. But with heightened market uncertainty there remains little evidence of discount narrowing thus far. Mastertrust's look through discount barely moved over the quarter from 17.8% to 17.7%. Inevitably that means that further corporate activity will ensue in the coming months, be it driven by activists or the trusts themselves. Mastertrust retains its structural bias towards Listed Private Equity trusts and smaller companies trusts (in the UK and overseas), two areas of the sector that have faced particularly strong headwinds in recent years. For the former group, where discounts in many cases now exceed 40%, we see a hugely attractive opportunity for investors willing to take a long-term view. Similarly in the small cap arena, the fundamental valuations of underlying portfolios are equally compelling.

Important Information

Investing in smaller companies, including AIM listed companies and unlisted companies, can carry greater risks than those associated with larger capitalized companies. Your capital is at risk.

Except where otherwise stated, the source of the information in this document is Unicorn Asset Management.

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