

Investment trusts versus activists

January 2026

Increase in activist pressure on investment trusts amid widespread discounts and patchy performance

AJ Bell's inaugural investment trust report shows:

- The extent to which activist investors have targeted investment trusts on the UK stock market
- The latest activities involving hedge fund Saba, which is the most vocal activist in the space
- The full list of investment trusts where Saba has a position
- Examples of how popular investment trust sectors have performed
- What activist investors look for
- Other activist investors beyond Saba
- Current activist campaigns
- Potential next targets



AJ Bell's Head of Markets Dan Coatsworth comments:

Activist investor Saba now has stakes in 46 UK-listed investment trusts as it ramps up pressure on boards to eradicate persistent discounts. Other activists are also emerging, keen to flex their muscles and exploit valuation opportunities that exist across large chunks of the investment trust world.

It's easy to see why the investment trust space is under fire. Widespread underperformance and a diminishing number of large institutional buyers are the root cause of many investment trusts trading at a large discount to the underlying value of their assets.

More investors are opting for passive funds that track the market rather than going for active management, which is the preserve of the investment trust world. These dynamics have made the investment trust space vulnerable to disruption from activists and the trend is now in full swing.

Widespread changes in the industry

Saba is the most prolific activist in the space. It is relentless in campaigns against UK-listed trusts trading below the value of their assets.

While individual campaign success was mixed in 2025, Saba's overall efforts have had a profound impact on the broader investment trust space. That is made evident by trends seen in the industry during 2025. The average discount to asset value narrowed to 12.5% at the end of the year versus 15% in 2024, according to the AIC.

There was widespread consolidation with 27 mergers, acquisitions and liquidations completed in the period. Even though many of these events might have happened without Saba, the activist's continued pressure on the space has made sleepy boards wake up and realise lacklustre performance is unacceptable.

Any trust languishing at a persistent discount to net asset value is effectively ripe for disruption, and there is more than one activist in the market.

For example, Achilles Investment Company was set up in 2025 to pursue a 'constructive activism' strategy in the investment trust space. RM Funds has been engaged in a dispute with Gore Street Energy Fund over governance and buybacks. There are also quieter investors agitating for change, albeit behind closed doors rather than in public.

It's not just the domain of investment trust specialists as activists normally associated with individual companies have also had a go. In the past, Elliott targeted Alliance Trust (now called Alliance Witan) and Sherborne Investors influenced change at Electra Private Equity. Elliott has been involved with a wide variety of campaigns against the likes of oil producer BP, electronics group Samsung and telecoms firm AT&T. Sherborne is best associated with a campaign against Barclays bank.

Investment trust underperformance drives discounts and attracts activists

Investors typically pay a higher fee for an actively managed fund with the hope of getting a better performance than the market could deliver via a lower-cost tracker fund. What really matters is consistent outperformance rather than simply having one or two lucky years.

AJ Bell has analysed various investment sectors to gauge the level of outperformance or underperformance versus respective benchmarks and the results are mixed.

There are distinct reasons why investment trusts trade on a discount to net asset value, including investments in assets that might be difficult to sell quickly. Failing to deliver consistent outperformance will naturally turn investors off a trust, and that can also lead to big discounts.

Value investors have sifted through the investment trust universe for years to work out which trusts are trading on discounts for unfair reasons, or which ones deserve them. It's a well-trodden path. What's different is using a position as an investor to demand change.

Sometimes underperformance is down to poor stock picking skills and the board not challenging the fund manager to up their game. That's central to many activist campaigns – they believe getting a new manager or merging with another trust could narrow discounts and deliver better performance.

Where are the weak spots?

We've looked at popular groups of investment trusts to see how they've performed on a short, medium and long-term basis. The data focuses on net asset value change rather than share price to compare portfolio performance relative to the market. In contrast, using the share price instead of net asset value tells you if an investment trust is popular (trades at a premium) or undervalued (trades at a discount).

The UK equity income, global equity income, and global sectors stand out for their widespread underperformance across one, three, five and 10 years. These will be prime hunting ground for UK investors seeking to fill their ISA and pension with investments that provide exposure to dividend-paying companies or growth companies at home and abroad.

Three popular investment trust sectors have a poor record of beating the market

Number of trusts who underperformed their benchmarks over different periods, based on annualised performance

Sector	Trusts in sector	1 year	3 years	5 years	10 years
UK Equity Income	19	9	12	14	16
Global Equity Income	6	4	6	4	5
Global	10	9	9	10	9

Compares NAV performance to relevant benchmark

Source: AJ Bell, Morningstar. Data to 31 December 2025



Investment trusts in the UK equity income category typically benchmark themselves against the FTSE All-Share index. There are 19 shares in this sector and only three have beaten the market on a 10-year basis to the end of 2025 when looking at annualised returns. Of this trio, only two names also outperformed over the past one, three and five years, being Temple Bar and Law Debenture.

None of the trusts in either the global or global equity income space beat their benchmark for every one of the four periods (one, three, five, 10 years). Admittedly, there will be times when a fund manager goes through a bad patch, and it is worth noting that Scottish Mortgage did beat the market on a one, three and 10-year basis.

The lacklustre performance figures would suggest UK equity income, global equity income, and global sectors are ripe for activist campaigns on a select basis. Potentially standing in the way of activists are the small discounts on a general basis for these sectors. For example, the UK equity income sector trades on a 2.9% average discount*. Activists might prefer bigger discounts as that will give them more scope to earn a quick return if they find a solution to narrowing valuation gaps. It suggests activists need to be selective.

What is Saba doing?

Saba's strategy is to buy into trusts trading on a discount to the underlying value of their assets and push for changes that could help narrow the discount.

Its suggestions have included management change and converting to open-ended fund status; the latter would mean the investment vehicle subsequently trades in line with net asset value, not at a discount (or premium).

Saba campaigned for Middlefield Canadian Income Trust to convert into an ETF (exchange-traded fund), which subsequently happened. Interestingly, Saba itself is reportedly seeking to launch its own ETF that would target investment trusts on wide share price discounts.

What are some of the criticisms of activist campaigns?

Some of Saba's campaigns have gone in its favour, others haven't as certain shareholders didn't like its aggressive stance and questioned if it only had short-term gains in mind, not thinking about what's best for a trust longer term.

Who is Saba targeting?

Saba has stakes in 46 UK-listed investment trusts as of 15 January 2026, representing one in six trusts on the market. At the end of 2025 there were 305 UK-listed investment trusts.

Saba has targeted a broad spread of trusts across both mainstream and niche parts of the investment market. This ranges from global equities to renewables, infrastructure, and biotech. The activist's biggest positions are Herald Investment Trust (30.7%), Edinburgh Worldwide (30.1%) and Baillie Gifford US Growth Trust (29%).

*Source: AIC as of 14 January 2026

Saba's stakes in investment trusts

	Company	Stake		Company	Stake
1	Herald Investment Trust	30.7%	24	Baillie Gifford European Growth	5.2%
2	Edinburgh Worldwide	30.1%	25	Syncona	5.2%
3	Baillie Gifford US Growth Trust	29.0%	26	Molten Ventures	5.2%
4	Crystal Amber Fund	25.0%	27	Vietnam Enterprise Investments	5.1%
5	Impax Environmental Markets	20.7%	28	Pantheon International	5.1%
6	BlackRock Throgmorton Trust	17.3%	29	Aberdeen UK Smaller Companies	5.1%
7	River UK Micro Cap	16.3%	30	RTW Biotech Opportunities	5%
8	Smithson Investment Trust	16.2%	31	Baillie Gifford UK Growth Trust	5%
9	Schroder UK Mid Cap Fund	16.0%	32	JPMorgan European Discovery	4.8%
10	Brown Advisory US Smaller Companies	14.1%	33	Aberdeen Diversified Income and Growth	4.7%
11	Workspace*	13.5%	34	Lowland Investment Company	4.2%
12	VPC Specialty Lending Investments	12.1%	35	Schroder British Opportunities Trust	2%
13	Gore Street Energy Storage Fund	11.1%	36	Bankers Investment Trust	0.5%
14	Life Science REIT	11.1%	37	Mercantile Investment Trust	0.3%
15	SDCL Energy Efficiency Income	11.1%	38	Baker Steel Resources Trust	0.3%
16	BlackRock Smaller Companies	10.1%	39	Templeton Emerging Markets	0.2%
17	Geiger Counter	7.4%	40	Abdrn New India Investment Trust	0.1%
18	Henderson Smaller Companies	6.4%	41	Monks Investment Trust	0.1%
19	Fidelity Emerging Markets	6.3%	42	Pershing Square Holdings	0.1%
20	Montanaro European Smaller Companies Trust	6.2%	43	Baillie Gifford Japan Trust	0.05%
21	Worldwide Healthcare Trust	6.2%	44	The European Smaller Companies	0.04%
22	Ecofin Global Utilities and Infrastructure Trust	5.8%	45	RIT Capital Partners	0.04%
23	Utilico Emerging Markets Trust	5.8%	46	Scottish Mortgage	0.03%

*Not a traditional investment trust, but it is classified as a real estate investment trust

Source: AJ Bell, Holdings by Modular Finance. Data as of 15 January 2026

Herald was one of seven trusts targeted by specific Saba campaigns in early 2025, all of which failed after shareholders rejected proposals. Edinburgh Worldwide last year tried to merge with Baillie Gifford US Growth Trust but was blocked by Saba. On 20 January 2026, shareholders voted against another attempt by Saba to replace Edinburgh Worldwide's board.

Activists might take a 3% to 5% stake and hope that is enough to get the attention of the target's board. In Saba's case, it owns more than 10% of 15 trusts which gives it considerable sway when trying to get other investors' attention.

It has greater than 20% of the voting rights in five trusts, including 25% of Crystal Amber and 20.7% of Impax Environmental Markets.

Saba has history with Crystal Amber, having voted against continuation in 2021 and forced a managed wind-down of the trust. It was a somewhat ironic event, namely that Crystal Amber as an activist investor itself saw the tables turn. Last November, following the sale of most of Crystal Amber's assets, it proposed to resurrect the trust under a new manager, paving the way for Saba to trim its stake.

That leaves Impax Environmental Markets as the obvious next candidate for a full-blown activist campaign. Saba's position as the biggest shareholder, and the fact it was regularly buying shares in 2025 and into January 2026, would suggest something could be brewing.

Impax is keen to remove Saba from its shareholder register and has a proposed a tender offer, buying shares from investors at close to net asset value. Impax says Saba has indicated it may not support the tender offer, which suggests potential drama ahead.

What are other activists doing?

Metage Capital has form in campaigning for change in the investment trust space. In 2024, it made proposals to shake up HarbourVest Global Private Equity. While its key suggestions weren't adopted, the trust did make changes to capital allocation and governance, suggesting the activist's involvement still made a difference.

More recently, Metage took objection to Pantheon International and called for significant changes. Interestingly, Saba is also on Pantheon's shareholder register.

AVI Global – itself an investment trust – has form in making demands on other investment trusts. Its largest holding is private equity investment trust Chrysalis Investments to whom last year AVI's management group wrote a letter co-signed by other shareholders calling for a continuation vote in 2026.

Examples of live investment trust activist campaigns

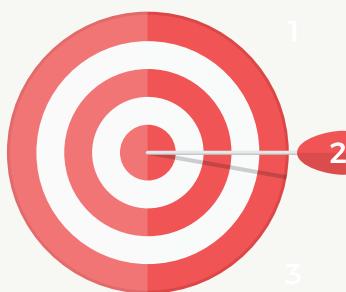


Target: Smithson Investment Trust

Activist: Saba

Campaign status: No public campaign, but Smithson's manager Fundsmith confirmed private discussions with Saba about addressing persistent discount to NAV. Proposal on 12 Nov '25 to convert trust into an open-ended fund. Shareholder vote expected in Feb or March.

Status: Waiting for voting timetable



Target: Pantheon International

Activist: Metage Capital

Campaign status: Open letter (15 Dec '25) calling for £500m of assets to be sold and proceeds used for share buybacks, for Pantheon to provide a detailed analysis of returns on historical investments, and for the trust to communicate a strategy to address performance issues. Plan B is to find a buyer for the trust.

Status: No response from Pantheon



Target: Herald Investment Trust

Activist: Saba

Campaign status: Saba was defeated in March 2025 in its attempts to oust the board of Herald. It is still a major shareholder today. Herald proposed a tender offer on 9 January so that Saba and other shareholders could sell up to 100% of their shares.

Status: Shareholder meeting on tender offer 5 Feb

Source: AJ Bell, company announcements. Information correct as of 15 January 2026.

Even though it might feel like Saba is the most prolific name snapping up stakes in investment trusts, there is another investor with fingers in as many pies. Allspring has stakes in 46 investment trusts, the same number as Saba. 1607 Capital Partners is close behind with positions in 40 investment trusts**.

Both Allspring and 1607 specialise in building positions in investment trusts trading below net asset value with the aim of profiting if discounts narrow. While best described as active rather than activist investors, they are influential.



Who are potential targets for an activist campaign?

One starting point for activist investors is to look for investment trusts that have persistently underperformed and which are trading on a larger discount to net asset value than their sector average.

Here are six examples of investment trusts with such characteristics. The performance figures show the annualised negative excess return from a trust compared to the relevant benchmark, rather than an absolute return from the NAV or share price. In essence, it shows the amount by which a trust has lagged the market annually.

**Source for stake sizes and number of positions in trusts: Holdings by Modular Finance

The type of numbers to attract an activist investor

Negative excess returns: trust NAV underperformance versus benchmark

Name	Sector	Discount to NAV	Average sector discount	1 year	3 years annualised	5 years annualised	10 years annualised
Bankers	Global	-8.6%	-8.0%	-1.3%	-5.7%	-5.3%	-2.9%
BlackRock Income & Growth	UK Equity Income	-11.5%	-2.9%	-7.7%	-2.5%	-2.4%	-1.9%
Dunedin Income Growth	UK Equity Income	-7.4%	-2.9%	-9.9%	-5.3%	-6.2%	-1.0%
Finsbury Growth & Income	UK Equity Income	-5.8%	-2.9%	-31.7%	-11.9%	-9.6%	-2.2%
Lindsell Train	Global	-21.3%	-8.0%	-28.7%	-20.3%	-16.0%	-2.9%
Scottish American	Global Equity Income	-9.2%	-3.1%	-12.4%	-10.0%	-5.7%	-2.6%

The performance figures show the negative excess return from a trust compared to the relevant benchmark, rather than an absolute return from the NAV or share price

Source: AJ Bell, discount data AIC (14 January 2026), NAV performance data Morningstar (to 31 December 2025)



Bankers Investment Trust is a potential candidate for a shake-up. It has underperformed over one, three, five and 10 years, and it trades on an 8.6% discount versus an average 8% discount for its sector.

In 2025, Bankers proposed to change its rules in what looked a defence against any potential activist campaign in the future. This included increasing the minimum number of directors and requiring independent shareholder approval for the appointment of directors proposed by significant shareholders. It withdrew the proposals following discussions with investors. Note that Saba has a small stake in the trust.

Another example is Scottish American. It has underperformed the market over one, three, five and 10 years to the end of 2025 when looking at change in net asset value. At the time of writing its shares traded on a 9.2% discount to net asset value versus a 3.1% average discount for its global equity income sector.

Scottish American is managed by Baillie Gifford which runs various other trusts already subject to campaigns by Saba.

Finsbury Growth & Income Trust and Lindsell Train Investment Trust are worth watching as both are run by asset manager Lindsell Train. While shareholders in mid-January voted in favour of keeping Finsbury Growth & Income going in its current form, namely giving underperforming manager Nick Train more time to up his game, both this trust and its sister trust meet the activist target criteria for lagging the market on a consistent basis and trading below their respective sector average discount to net asset value.

Methodology

Our report analyses UK-quoted investment trusts. We compared a trust's net asset value performance to its respective benchmark or the most relevant benchmark in certain cases where it is not possible to run data on a composite benchmark followed by a trust. The report analyses historical performance data, and while past performance can provide an insight into long running trends, it is never an entirely reliable guide to the future.

We discuss the presence of an activist investor on investment trust shareholder registers. Certain stakes are obtained through financial derivative positions and may not appear on every data platform that publishes shareholder information.