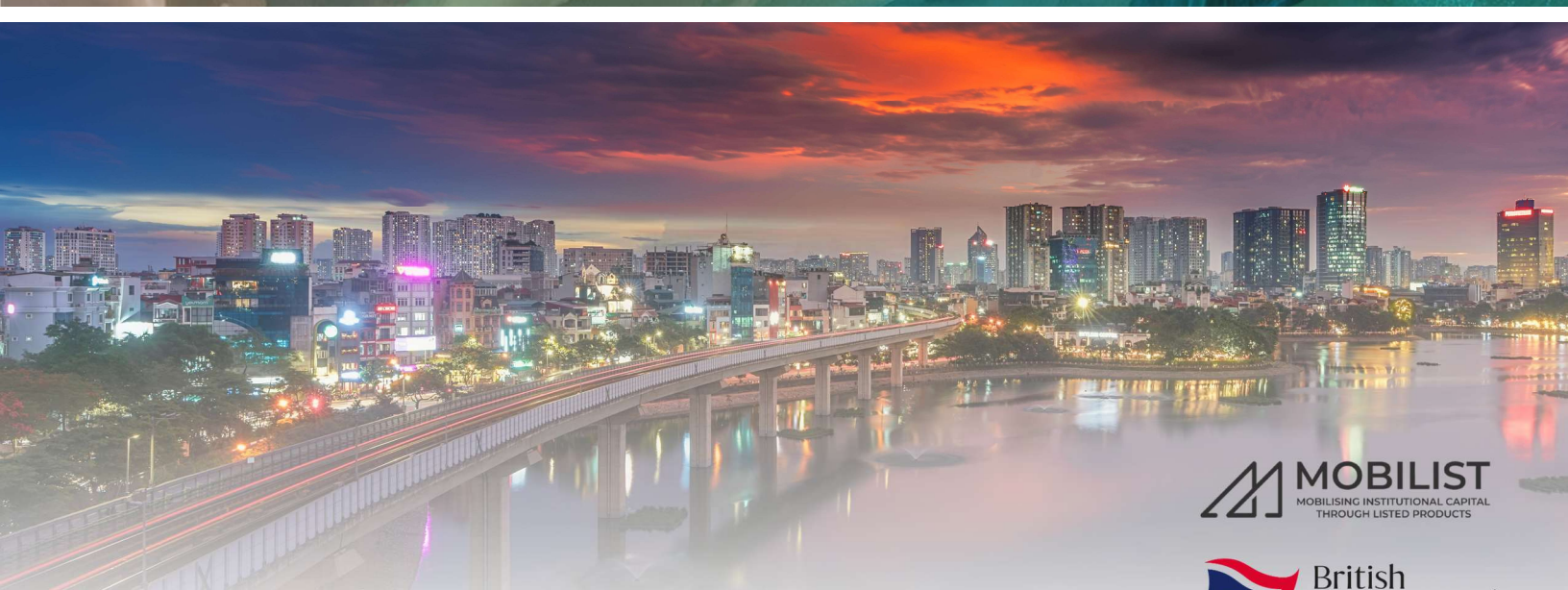


# CASE STUDY: DEVELOPED MARKET LISTED INVESTMENT TRUSTS

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JANUARY 2026



# 1 Overview

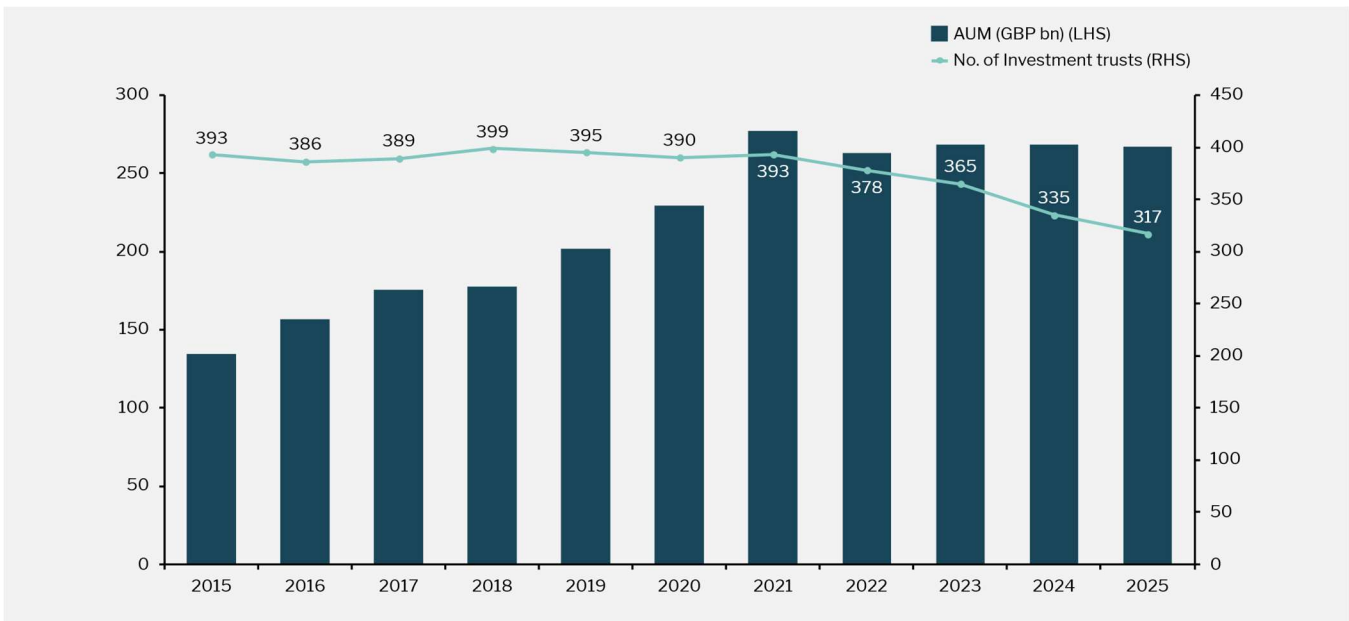
UK investment trusts (also called investment companies) have operated for more than 150 years, evolving with investor needs. They are closed-end funds, structured as public limited companies, which pool capital from institutional and retail investors into professionally managed diversified portfolios with shares traded on the stock market. Unlike open-ended funds that issue and redeem units, closed-ended trusts have a fixed share count.

Approximately 324 investment trusts manage c.GBP 260 billion of assets (more than double c.GBP 135 billion in 2015) (AIC, 2025). As of 2025, private equity (PE) and venture capital account for c.18% and c.2% of AUM respectively – both leading and growing investment categories (AIC, n.d.) – indicating a powerful listed structure for attracting different capital pools into private equity. Trusts focused on PE employ a range of strategies

including fund-of-funds and direct investments, often buyouts where the trust focuses on long-term growth through value creation. They are typically more focused on capital appreciation than yields, but many pay dividends from realised profits upon exits.

The number of UK investment trusts fell by c.20% from 2021 to 2025 amidst pressure from lower fee index-tracking funds, cost disclosure requirements<sup>1</sup>, higher interest rates, and takeovers (Dunkley & Grice, 2025). Driven in part by these market factors and by trust-specific factors, many trusts trade at a discount to NAV – as of July 2025, the average discount was 12.8%, compared to an average discount of 8.1% since 2008 (Hunt, 2025). Trusts which invest in less liquid and unlisted assets, including private equity, often trade at a larger discount due to greater challenges in valuing the underlying assets (Coatsworth, 2025).

**Figure 1: Investment Trusts AUM and Number of Investment Trusts<sup>2</sup> (AIC, 2025)**



<sup>1</sup> In recent years, UK/EU rules required platforms to show investment trusts' costs in a way that can overstate them (e.g. adding look-through portfolio costs on top of the trust's own charges). This made trusts appear pricier than they actually are, which put some investors off and hurt demand

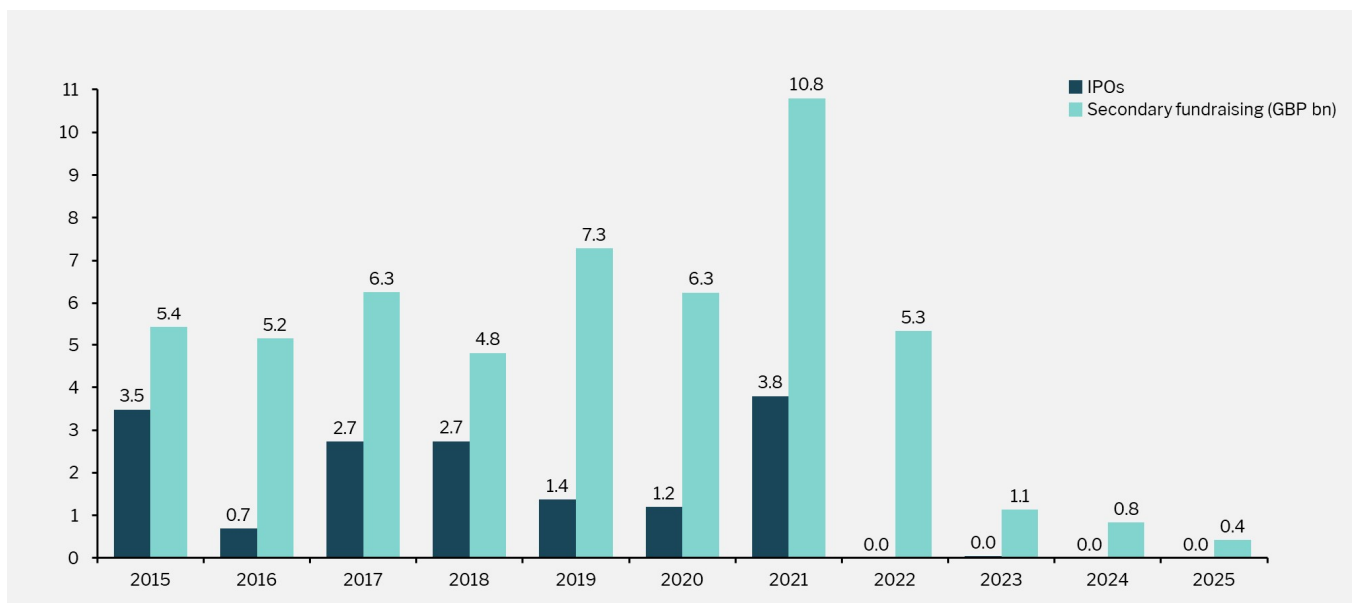
<sup>2</sup> Data on number of investment companies may vary slightly dependent upon which AIC report is used

Persistent, wide discounts raise the cost of equity and can limit new issuance (as evident in 2024 when there were no IPOs and secondary fundraising decreased), so boards typically respond in stages with buybacks, tenders, enhanced dividends, and continuation votes before moving to more strategic options such as mergers or acquisitions (Carthew, 2024).

Despite this, investment trusts still offer strong long-term performance, with the average trust generating c.3.5% annual dividend yield and c.9% annualised share price growth over the past decade.

Widening discounts and rising M&A are reshaping the UK investment trust landscape, reinforcing the need for continued evolution. The UK model offers transferable lessons: in some EMDEs, similar vehicles which allow for a broad range of underlying assets could be replicated. Where regulation, liquidity, or the investor base are not yet conducive to listed trusts, listing EMDE-focused funds in developed markets (e.g. the UK) can act as a bridge, mobilising foreign capital into otherwise illiquid emerging market assets.

**Figure 2: Secondary Fundraising and IPO Fundraising (Press releases: Investment trust annual reviews, 2025)**



## 2 Market level assessment

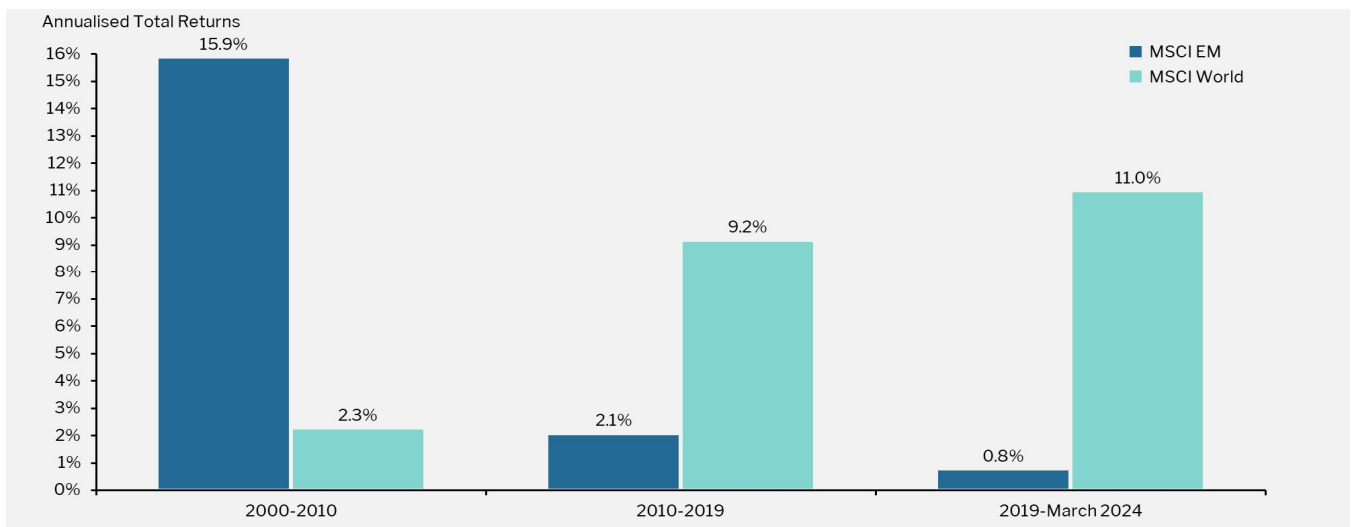
Investment trusts in the UK have been increasingly interested in emerging markets (EMs) to capitalise on their potential for more rapid growth than in developed markets, in addition to other considerations. An Aberdeen Group EM specialist cites three key drivers: i) governance reforms (e.g. Vietnam now allows foreign institutions to place stock orders without upfront cash collateral, easing market access for foreign investors, improving liquidity, and reducing friction (SSC, 2024)<sup>3</sup>); ii) tech / AI exposure, particularly in Southeast Asia and India as firms (e.g. Apple) move capacity from China – a trend set to accelerate with 2025 tariff increases (Miller & Vishnu, 2025); iii) U.S. monetary easing tailwind, reducing global funding costs and increasing investor demand for EM.

Despite the growing and sustained interest, investors are aware that EMs come with their own set of associated risks. Equities in EMs tend to be more volatile than in developed markets, and they are more exposed to global shocks. As shown in Figure 3, EM equity market performance outpaced developed markets from 2000 to 2010; the

comparison pertains to stock market returns and should not be interpreted as corporate performance or GDP growth. Following the global financial crisis and COVID-19, EM stock returns significantly underperformed developed markets from 2010 to March 2024.

Given these risks, many EM-focused trusts, e.g. VinaCapital’s Vietnam Opportunity Fund, choose to list in developed markets like London. A developed market listing provides access to deeper, more stable capital pools, stronger disclosure and governance standards, broader liquidity, and a lower cost of capital – all within a closed-ended structure that can hold illiquid EM positions (including private deals) without daily redemptions<sup>4</sup>. This allows managers to raise funds in a familiar regulatory environment and channel them into higher-growth private equity opportunities in EMs. Many EMs lack a broad, UK-style investment trust regime; listed vehicles are typically more specialised – such as InvITs in India or REITs in many markets.

**Figure 3: MSCI EM and World Annualised Returns (from 2000 to 2010) (Chen & Beck, 2024)**



<sup>3</sup> In developed markets, clearing houses are required to manage settlement risk, which can make the process slower and costlier for foreign investors

<sup>4</sup> In a closed-ended fund, investors trade shares with each other on the stock market instead, so the fund doesn’t have to pay out cash daily or sell assets to meet withdrawals

### 3 Vehicle level analysis – Vietnam Opportunity Fund

VinaCapital, founded in 2003 in Vietnam, manages USD 4 billion across offshore funds, onshore funds, and alternative investments through a USD 100 million venture capital platform (VinaCapital, n.d.). Vietnam Opportunity Fund (VOF) manages c.USD 1.2 billion (up from USD 10 million at inception), is a FTSE 250 constituent listed on the London Stock Exchange (LSE) and has delivered c.12% annualised returns over 22 years. In 2016, VOF moved from the Alternative Investment Market (AIM), LSE’s market for small and medium size growth companies, to a premium listing on the LSE Main Market, better suited to its size and maturity (VinaCapital, 2022).

VOF has invested in 200+ companies, typically holding private equity stakes for three to five years before taking companies public via IPO or selling via trade sales to return profits and proceeds to shareholders (VinaCapital, n.d.). A significant share of its c.80% listed equities exposure comprises pre-IPO investments that later listed. As a long-term, active investor, the fund’s objective is to develop and support Vietnam’s long-term structural growth. As of July 2025, sector focus spanned financials (31% of portfolio), real estate (20%), consumer discretionary (13%), materials (12%), IT (5%), and more (VinaCapital, 2025).

Vietnam lacks a broad, UK-style closed-end trust market. Post 2011 policy changes, many local closed-end funds shut down or converted to open-ended structures. While the number of funds has increased (110 in 2024 vs 70 in 2021), AUM has decreased (c.USD 2.8 billion in 2024 vs c.USD 3.1 billion in 2021) (Thuan, 2024).

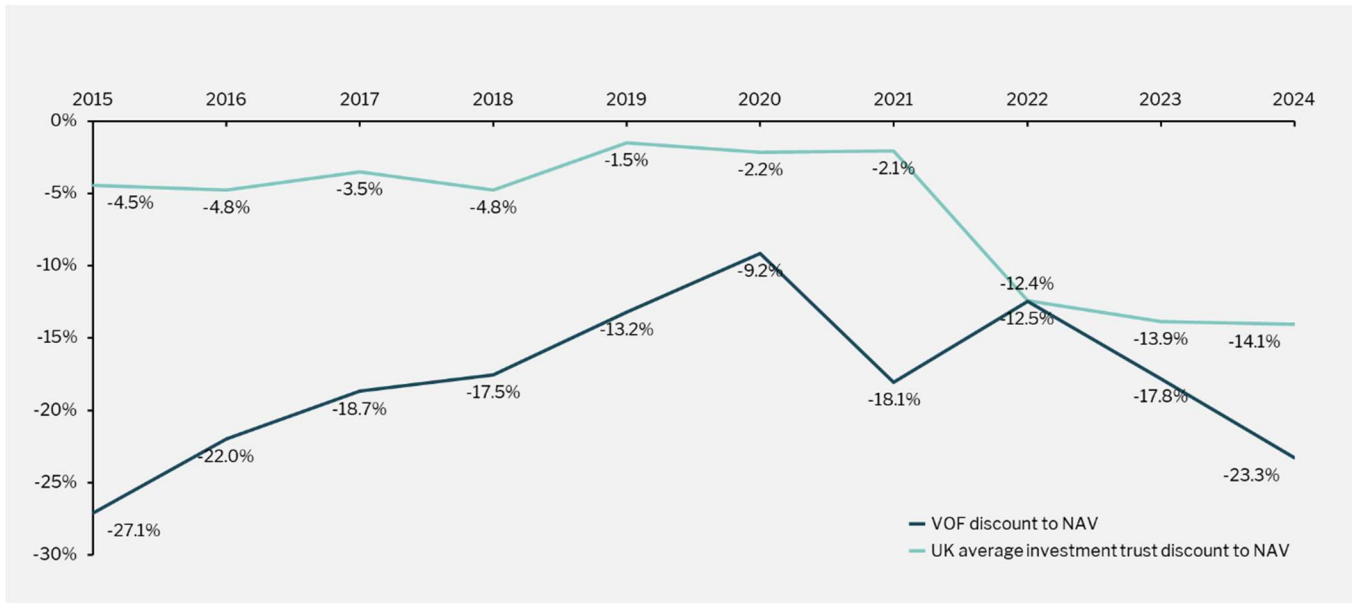
The domestic institutional buyer base is also shallow. Public pension funds (PPFs) manage c.USD 46 billion in assets but are not permitted to invest in private or listed equities so most of their investments are concentrated in government bonds (AMRO ASIA, 2025). Private pension funds manage c.USD 280 million (2023), and insurance

companies c.USD 35 billion (2023), while the state manages c.USD 8 billion through the Vietnam State Capital Investment Corporation (viewed as an SWF-like vehicle). The central bank holds c.USD 83 billion in reserves, but these are managed for monetary stability rather than investment. Compared with countries where institutions represent a dominant source of long-term equity demand (e.g. in Thailand, PPFs, SWFs, and the central bank manage c.USD 390 billion in total with PPFs increasing allocation to private and listed equities (Wongcha-um, 2024)), Vietnam’s institutional pool is small, limiting the depth of the domestic capital market.

Market frictions intensify this. Foreign investors hold c.14% of equities, but foreign ownership caps (typically 30-49% depending on the sector (The Shiv, 2025)) mean once a cap is reached, new foreign buyers can only enter if another foreign holder exits – narrowing the investable pool, distorting price discovery, and adding to valuation uncertainty. Although it does not solve this underlying friction, listing in the UK offers an alternative route for foreign investors, pooling capital in London while specialist managers navigate foreign ownership limits in Vietnam. Finally, liquidity is thin, with concentrated trading driven by limited free float (c.46%) causing sharp swings and making scaled entry and exit hard for institutions.

VOF has traded at a discount for much of its existence (larger than the UK investment trust average over the past decade) reflecting Vietnam-specific risks and market frictions.

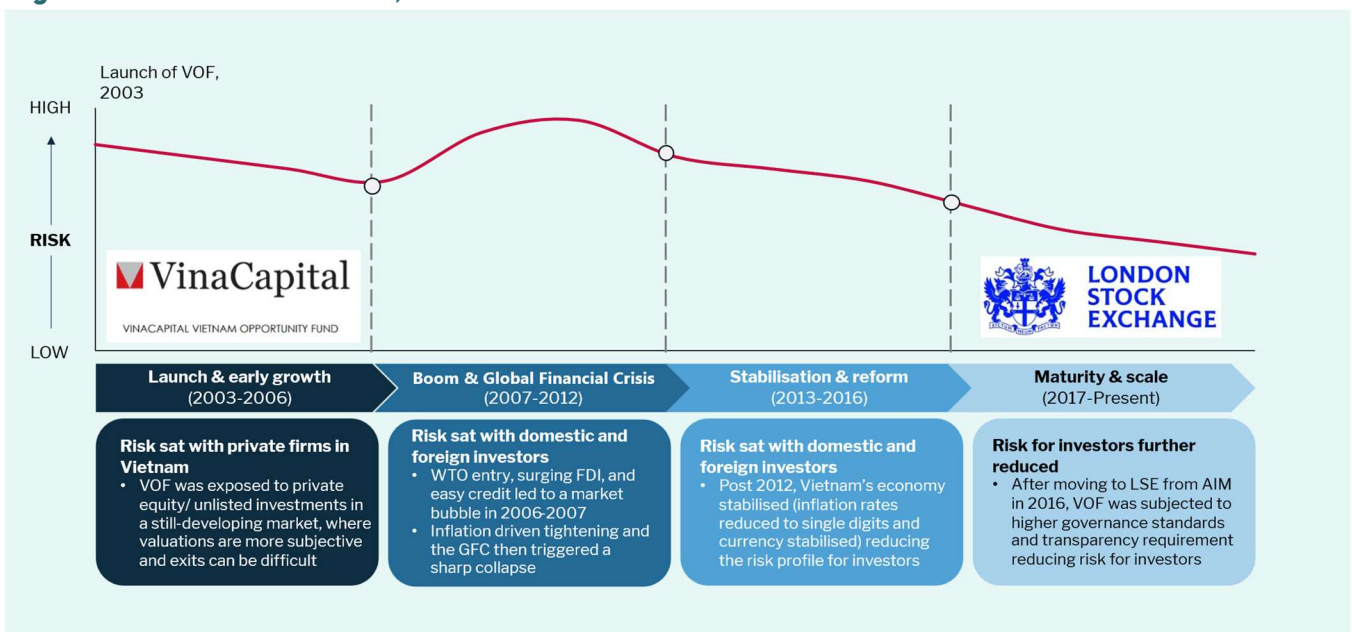
Figure 3: VOF vs UK Investment Trusts Discount to NAV (AIC: VinaCapital Vietnam, 2025), (Hunt, 2025)



In 2024, the board used share buybacks as the discount widened to support liquidity and reduce volatility, repurchasing c.8.6 million shares (5.7% of operating share count) for USD 50.9 million between June and December. Buying at a discount lifted NAV per share by 10.6 cents, benefitting continuing shareholders. From the end of that period to 20 March 2025, a further USD 24.4

million was spent on buybacks. While the discount did not narrow, the buyback efforts helped maintain market liquidity (VinaCapital, 2025). Although the Vietnam Ho Chi Minh Stock Index (VN-Index) is not a benchmark for the fund, many investors use it as a reference point; VOF outperformed the VN-Index over three years (-2.1% vs -16.2%) and five years (+59.4% vs +30.4%).

Figure 4. VOF's Risk Profile, Illustrative



## 4 Impact on primary market functioning and sustainable development

Because investment trusts do not redeem capital, they can provide stable long-term funding to higher-risk, illiquid assets without being forced to sell prematurely. The more liquid UK vehicles, with price transparency and strong regulation, can be a mobilisation channel for institutional and retail investors, including diaspora communities, to

participate in asset classes that would otherwise be inaccessible, such as private equity. This unlocks value in underlying assets: for example, VOF's portfolio companies can reach foreign investors who would otherwise face EMDE rules and practical hurdles to direct investment.

### Liquidity effects

- **Increased liquidity for investors via capital recycling and exit routes:** PE-oriented investment trusts enhance investor liquidity by buying assets from other funds, (freeing them to reinvest or return capital), or purchasing LP-stakes, allowing LPs to recycle capital
- **Currency and dealing line (LSE):** VOF, and many trusts, trade on the LSE (USD line), providing international investors with a familiar environment with established governance and market-making standards. USD pricing reduces friction for global USD-funded allocators, even as underlying Vietnamese assets carry local currency risk. This strengthens trading liquidity and execution, broadens the investor base, and over time improves price discovery while helping to stabilise discount volatility

### Impact on SDGs



**Channel long-term capital into EMs:** investment trusts fund illiquid growth projects (e.g. SMEs, hospitals, or infrastructure) without daily redemption pressures. Of VOF's holdings, c.39% (based on NAV) are in IT, healthcare, materials, industry, and consumer discretionary.



**Finance critical infrastructure and supply chains:** many trusts fund logistics, digital infrastructure, and manufacturers that play a key role in global supply chains. Templeton Emerging Markets Investment Trust's (TEMIT) top holdings (c.21%) are in semiconductor and semiconductor equipment manufacturing across Taiwan and China (TEMIT, n.d.).

## 5 Key enablers

Because of its mature market infrastructure and regulation, established governance standards, and confidence from foreign investors, the UK (and other developed capital markets) offers a strong option in the short term to list investment trusts focused on EMDE markets, particularly those focused on private underlying assets, that have less well-developed capital markets. In the

medium- to longer-term, this structure, with its broad potential underlying asset base (compared to e.g. InvITs, REITs, etc.), could be replicated in some EMDEs. The enablers included below focus on the conditions which have supported UK-listed investment trusts with an EMDE focus.

### SUPPLY AND DEMAND SIDE ENABLERS



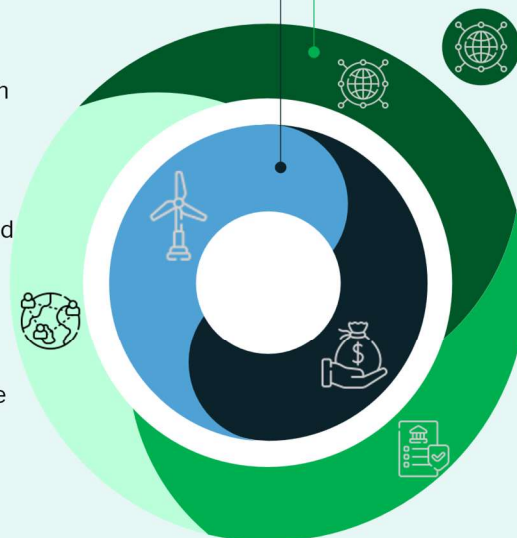
#### Asset supply:

- **Sufficient pipeline of investable assets:** the success of developed market listed trusts with an EMDE focus depends on the presence of a sufficient pipeline of assets that can be acquired and aggregated into a listed vehicle. For trusts to succeed, these underlying businesses need to exist at sufficient scale and demonstrate governance standards acceptable to foreign investors. Previous cases show that where asset supply was too shallow or governance was weak, trusts failed to gain traction. VOF highlights how a well-structured trust with access to a deep pipeline of credible businesses can bring these assets to public markets and create value for domestic and foreign investors



#### Investor depth:

- **Broader access via listings:** by trading on major exchanges, funds can access new investor groups, including retail, wealth managers, and institutions



### SYSTEM ENABLERS

#### Market infrastructure & intermediaries:

- **Independent boards as governance intermediaries:** UK investment trusts are supervised by an independent board resulting in a high standard of governance. Boards represent shareholders and protect value by negotiating fees, running buybacks, and providing oversight



#### Policy & regulation (UK focused):

- **Tools to manage discounts/premiums:** regulatory frameworks permit buybacks/issuance and structural changes (e.g. mergers) to support market functioning
- **Dividend smoothing:** investment trusts can retain up to 15% of annual income to distribute in future years, allowing them to maintain steadier dividend payments, even when performance is weaker



#### Macroeconomic & geopolitical stability:

- **Political uncertainty redirecting capital flows:** policy uncertainty in the US is deterring foreign investors from investing in US markets, and redirecting capital flows to emerging markets with high growth potential

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