

MIGO Opportunities Trust plc – Outlook for 2022

Trust insight



Charlotte Cuthbertson, assistant fund manager on MIGO Opportunities Trust plc, discusses the outlook for the trust in 2022.

2021 was an interesting year with many highs and lows within both markets and our portfolio. We enjoyed the great reopening trade earlier in the year but now face some stagnation as the world struggles to return to normal, coping with enormous disruption in supply chains and energy.

Looking forward, all eyes are on inflation numbers and interest rates. Many central banks around the world have signposted that they intend to begin tightening financial conditions in 2022. A taper tantrum is certainly on the cards for 2022 and we anticipate some rocky markets as investors get to grips with the fact that the incredible monetary and fiscal stimulus of the past two years must start to be withdrawn. In terms of our own portfolio, we are trimming where we retain exposure to highly rated companies via trusts such as Third Point and Chrysalis.

In the first half of 2021, we found ourselves selling down many of our holdings as discounts tightened and parts of the trust market began to look very frothy. More recently, however, we are seeing this reverse as areas such as UK micro-cap and Biotech return to ratings we saw in Q4 2018 when we bought into these areas. Bull markets are great, but now we are beginning to see where we can recycle our profits, reducing our cash pile.

We have frequently commented about the increase in alternative asset classes within the trust sector. Last year we hit a milestone as equity focussed trusts became the minority for the first time in the modern era. The raft of alternative issuances looks set to continue in the New Year and we believe we are primed to take advantage of this trend. We traditionally make money when trusts move back into favour. We are always looking for those opportunities where we can see both recovery in the portfolio and a narrowing of the discount as investors begin to flock back as performance improves. With a vast increase in the range of asset classes available, this creates ever more mispricing situations for us to exploit.

Despite the probability that 2022 may prove to be a difficult and turbulent year in markets, we remain optimistic that this will throw up plenty of opportunities and that we are in the right place to take advantage of likely volatility.

Charlotte Cuthbertson
Assistant Fund Manager, MIGO Opportunities plc

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