

Business Markets

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Buy, sell or hold: today's best share tips



HG CAPITAL TRUST

Market value £868 million NAV	per share £2.36 Discount 8.9%
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The board of HG Capital Trust diverted from its usual practice yesterday and published extensive commentary alongside the updated valuation of its portfolio. While it's true that this is sensible in such unusual times, this investment trust is also unlike the norm.

As this column previously noted, it should be a huge deterrent that the portfolio consists of harder-to-value private companies in the higher-risk technology sector.

However, as evidenced by its

performance during the first quarter, the trust has a surprising resilience and a very strong track record.

Launched in 1989, the trust's aim is to provide an easily tradeable way of gaining exposure to high-growth unlisted tech companies, and particularly those with plenty of scope for operational improvement.

It is a constituent of the FTSE 250 midcap index and benchmarks its performance against the FTSE All-share, which it has beaten when assessed over one, three, five, ten and 20 years.

The main worry for investors yesterday was that falls in the worth of the publicly listed companies that the portfolio is referenced against

would lead to a drop in the valuation.

The trust said that trading at its 20 biggest portfolio companies — by far the largest of which is Visma, an accounting software and payroll management provider — held up well. Together they grew sales by 24 per cent and profit before tax and other items by 32 per cent over the year to the end of March.

With the tech sector less badly disrupted by the pandemic than others, this hopefully augurs well for more recent trading under lockdown.

However, with the trust applying a much lower valuation multiple to the portfolio in the light of stock market movements, the reported net value of its assets fell by 6.2 per cent over

the period to £963 million, or £2.36 a share. In terms of total return, that's nearly 19 per cent better than the FTSE All-share, which its shares have also outperformed.

The latest valuation means that the trust's shares, up 3p or 1.4 per cent to 216p, trade at a discount of just under 9 per cent to the net asset value per share. With the dividend yield a reasonable 2.3 per cent, the stock is a good hold.

ADVICE Hold
WHY Surprisingly resilient portfolio in uncertain times