

Citywire Investment Trust Insider

FTSE Review: Pershing Square misses top 100 spot but F&C joins it in the queue

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Pershing Square Holdings (PSH), the investment company investing in Bill Ackman's long-only hedge fund, has failed to win a place in the FTSE 100 during the latest reshuffle, although several trusts have moved up to the FTSE 250.

PSH's £3.8bn market capitalisation, according to figures from the London Stock Exchange on 5 June, put it on the verge of joining Scottish Mortgage (SMT) and private equity group 3i (III) in the blue-chip index. PSH's sterling shares have surged in value by a third this year, after a spectacularly profitable credit hedge paid off at the height of the coronavirus crash.

Of the potential risers and fallers earmarked previously by stockbroker JPMorgan Cazenove, broadcaster ITV (ITV), worth £3.5bn on Friday, clung on, while £4.2bn DIY retailer Kingfisher (KGF) beat PSH into the index.

Rather than simply the 100 biggest London-listed companies at the time of the reshuffle, potential joiners have to number in the top 90 to ensure a spot or existing constituents drop outside the top 110 to guarantee demotion, saving ITV this time.

PSH did, however, win a place on the FTSE 100's reserve list along with £3.7bn F&C (FCIT), the UK's oldest investment trust, which invests in global equities. Both remain members of the FTSE 250.

The reserve list is used in the event of a 'corporate action', such as a merger, occurring for index constituents between reviews. The largest company on the review list at the time would then enter the index.

As expected, BB Healthcare Trust (BBH), Civitas Social Housing (CSH), JLEN Environmental Assets Group (JLEN) and Scottish American (SAIN) all won places in the FTSE 250, as JPMorgan Indian (JII) got the boot.

The largest India-focused investment company of the four listed in London, £410 JII saw its assets cut by 25% earlier in the year in an oversubscribed tender offer.

Of the new entrants, £688m Civitas Social Housing has been the standout performer in 2020 so far, with its shares spiking 23% from a formerly wide discount to net asset value, as the trust announced its dividend was now fully covered by income and showed signs its relationship with the NHS had strengthened.

Though to a smaller extent than gaining entry into the FTSE 100, inclusion in the 'mid cap' index benefits a company both by raising its profile and increasing demand for its shares, which will be bought by passive vehicles designed to track the performance of such indexes.

FTSE Russell, a subsidiary of the London Stock Exchange, announced the results of the quarterly review of the FTSE UK Index series on 3 June, based on prices at the close of trading the previous day. The changes will come into effect after trading closes on Friday 19 June.

Several investment companies also won places in the FTSE All-Share, designed to track at least 98% of the UK market, via their inclusion in the FTSE SmallCap index, which companies must be worth at least £100m to enter.