# Three investment trusts that any investor can put at the heart of their portfolio

01 April 2021

By Nick Wood

Trusts offering exposure to both US growth and value stocks as well as those exploring the growth opportunities found in unlisted companies are some of the investments that could form the core of a portfolio this ISA season, according to Quilter Cheviot's Nick Wood.

Wood, head of investment fund research at Quilter Cheviot, noted that the end of the current tax year comes as investors weigh up the impact of the 're-opening trade' and the prospect of higher inflation. This has led to a backdrop of rising bond yields and volatility in equity markets, with investors shunning growth companies and moving towards value stocks.

"Whether this rotation becomes more sustained remains to be seen, but it is clear as we approach the end of the tax year and the start of a new one investors will need to be diversified across investment styles, as well as the usual asset classes and geographies," Wood said.

"We think conditions are ripe for active managers to perform well, so we have picked out three investment trusts that give investors that exposure to both growth and value, as well as some long-term opportunities at attractive entry points."

Below, he reveals the three investment trusts that could become part of the core of diversified portfolio.

**JPMorgan American**

Recent months have seen market leadership rotate away from growth stocks – which have led for much of the past decade and especially in 2020 – towards the value style as investors start to price in a stronger global economy and higher inflation.

With the US being the world's largest stock market and accounting for almost two-thirds of global indices, some may be wondering how this will affect their holdings here.

Wood said: "For most investors, trying to time style shift is always difficult and most US managers tend to have a strong style bias in one direction or the other. One way to answer this is with an investment in JPMorgan American. The trust combines two underlying managers: one focused on value stocks, the other on growth, each holding around 20 stocks with no overlap permitted. There is also exposure to small-caps via a growth-biased small-cap portfolio at a small weighting.

"The highly experienced manager pairing took over the trust in June 2019 and has been performing well since. In 2020, it outperformed the FTSE North America index by 5 per cent, and this year it is around 1 per cent ahead after the first two months. This demonstrates its ability to outperform in different environments."

The £1.2bn JPMorgan American investment trust is managed by Jonathan Simon – who runs the portfolio's value component – and Timothy Parton – who oversees the growth and small-cap elements. Wood described the trust as "a strong core US holding".

Top holdings at present include Microsoft, Apple and Amazon, although it's worth noting that the portfolio is slightly underweight information technology.

The largest sector overweight is to financials, with top 10 holdings here including Capital One, Bank of America and Charles Schwab.

JPMorgan American has ongoing charges of 0.18 per cent, is trading on a 6.5 per cent discount to net asset value (NAV) and yields 1.1 per cent. It is 4 per cent geared.

**RIT Capital Partners**

Wood's second core investment trust is RIT Capital Partners, which is run by J. Rothschild Capital Management. It offers exposure to a diversified mix of assets, holding both quoted and private equity alongside hedge funds/absolute return strategies and credit investments.

The £3.2bn trust has the dual objective of generating long-term capital growth while protecting shareholders' capital. In order to do this, it concentrates on six 'cylinders' that can drive returns.

These 'cylinders' are: theme-driven, or the top-down macro views that define the portfolio's risk parameters and themes; high-conviction single stocks, which represent 15-20 per cent of the portfolio and are individual opportunities; using 'exceptional' third-party managers, with the aim of double-digit outperformance; active currency management for both risk management and returns; use of absolute return and credit for diversification; and private investments to capture strong growth opportunities early.

Wood said: "The mix of equity alongside holdings that are more likely to protect in difficult markets such as hedge funds and absolute return funds, means that historically RIT has tended to perform best in falling markets, and not quite keep up in strongly rising markets.

"That said, last year RIT's underlying portfolio rose 16 per cent, ahead of global markets and so far this year has performed well. This is in large part due to the IPO of Coupang, a South Korean company that competes with Amazon, with services such as logistics and food delivery.

"RIT held the company as a private equity holding and the IPO realised significant value, the holding value rising 200 per cent on the day of IPO, or over 8 per cent of RIT's value.

"Whilst this is somewhat of a one-off event, it highlights the ability of RIT to add value through a diverse range of investments."

RIT Capital Partners has ongoing charges of 0.66 per cent, is on a 2.5 per cent premium, is 2 per cent geared and yields 1.48 per cent.

**Pantheon International**

For his final core pick, Wood opted for the £1.4bn Pantheon International investment trust, which offers exposure to private equity. It does this by investing in dedicated private equity funds, rather than buying into individual unlisted businesses, with its largest holdings including Insight Venture Partners, Providence Equity Partners and Essex Woodlands.

“Private equity has been one of the most talked about areas within the investment trust space of late, with a number of funds mixing public and private investments, whilst some high-profile dedicated private equity vehicles has recently come to market to raise assets. Pantheon represents a highly diversified private equity fund of funds option,” the Quilter Cheviot head of investment fund research said.

“Given its fund of funds approach, the trust holds positions in several hundred underlying companies, but nonetheless it has managed to provide a very credible return to investors long term. It is invested globally, and with a bias technology and healthcare, which make up around half of the investments. Pantheon is a good way to get broad exposure to private equity globally, whilst the trust trades on an attractive discount.”

Pantheon International has ongoing charges of 1.23 per cent and is trading on a 16.9 per cent discount. It is not geared.