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Defend your savings from the market rout: The funds hailed by investors that prioritise guarding over growing cash

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In almost every part of our lives, priorities are shifting, with safety and prudence the new virtues. In future, more people may want to preserve their money, rather than maximise returns: the return of their capital is, in other words, more important than the return on their capital.

Growth will be an added extra, rather than the prime short-term objective. In this circumspect environment, the fund managers committed to safeguarding savings could become power players.

This disappointment is shared by less affluent investors who trusted in absolute return funds marketed as hedges or buffers against market vicissitudes. Only one, Janus Henderson UK Absolute Return, has outperformed cash over the past decade.

Absolute return funds employ various techniques, including a variety of complex financial derivatives. But they have not matched the ingenuity of the less heavily-promoted capital preservation investment trusts such as Capital Gearing from GC Asset Management, Personal Assets, Ruffer Investment Company and RIT Capital Partners. Their approach is based on a mix of arch-pessimism, diversification – and an iron resolve not to lose money.

In March this year, when share prices were plummeting, Ruffer made $2.6billion on a series of deals, including a bet on the US Vix Volatility Index, known as the fear gauge. The trust's managers bought call options, derivatives that allow you to buy into a share, a commodity or an index at a future date. These options were cashed in at values ranging from 40 to 100 times their original prices.

Duncan MacInnes, the trust's co-manager, describes them as an insurance policy, something of an understatement, because, since January, the trust is up by 4 per cent, while the FTSE 100 index is down by about 20 per cent.

In 2018, when anxiety briefly beset the markets, Ruffer made $800million on $22million-worth of Vix options at 50 cents apiece. This earned the trust the nickname 50 Cent after the US rapper, who even when his album Get Rich Or Die Tryin' was a chart-topper, still gave thrifty tips on social media.

MacInnes describes his trust as all-weather, which has enabled it to provide a return of 8.5 per cent every year over the past 25 years, even during the dot-com rout and the financial crisis. Over the same period the annual return from the Footsie has been 6pc.

At the start of 2020, MacInnes and his co-manager Hamish Baillie sensed the skies were darkening. And the duo do not see bright skies ahead. MacInnes argues that 'the primacy of the shareholder is under threat,' with more companies husbanding cash, rather than paying dividends.

Meanwhile the economy will be tackling forces such as the push for deglobalisation – for example, following the uproar over medical PPE, there may be political pressure to bring the production of such essentials back to the UK.

MacInnes envisages that inflation will climb once we begin to emerge from recession. Money will continue to flow out from the Bank of England and government support schemes and will be chasing goods that may be hard to obtain since they are not being imported. For this reason, MacInnes and Baillie are holding UK and US index-linked government bonds and shares in gold mining.

Peter Spiller, who has been manager of the Capital Gearing Trust for 38 years, declares that his trust is a 'portfolio of financial assets for those with aversion to losing money who want to outperform equity markets in the long term.' The trust's net asset value has increased every year during the past decade. Spiller fought back against the coronavirus slump by holding cash, commodities, corporate bonds and US index-linked government bonds. He too expects higher inflation and that taxes will be raised to fund spending on the NHS and infrastructure. Despite this bearish stance, he has kept 'dry powder' to acquire defensive stocks.

The FTSE 100 has now recovered from its lows which may make some investors question the need for these trusts' wariness, especially since they do not supply a great income. But while it will be good in future to be a glass-half-full sort of person, keeping cheerful may be easier if you know that someone is keeping a vigilant watch over your savings.