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I’m 81 and own just 10 stocks – is this too risky?

Rate my portfolio: Derek Fraser wants to leave his savings to his grandchildren

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By Sam Benstead

An adventurous investor in their 80s is a rare sight – particularly one who only started investing a couple of years ago and invested everything in only a handful of stocks.

But pensioner Derek Fraser, from Leeds, is one of them. With a comfortable pension to fund his lifestyle, he began adding a few hundred pounds a year into five shares. Last year he upped the stakes, investing the full £20,000 Isa allowance and buying four more shares and one investment trust.

He now has £37,000 invested and hopes to grow it as much as possible to pass onto his children and grandchildren.

“I know the conventional wisdom is to use funds, but I like picking stocks. I to grow my savings as much as possible for five years and have made 24pc so far this year. I review my stocks once a year and want some expert guidance,” he said.

Mr Fraser backed airline stocks IAG, which owns British Airways, and Jet2 this year when he realised the pandemic was coming to an end and travel would resume. However, he is worried about the impact of the omicron strain.

He also owns Lloyds and Rotork, an industrial equipment manufacturer. “Lloyds is a stock to hold forever. Shares are flat from where I bought them but Rotork has doubled in value and is now my largest position,” said Mr Fraser.

David Miller, investment director at Quilter Cheviot, said: Mr Fraser’s portfolio is too risky given he’s only investing for five years. Only owning shares is more suitable for someone with more than seven years to invest. For fewer than five, only half the portfolio should be in stocks.

In addition, he has a dangerous bias towards British stocks. A lot of opportunities are in international markets. Given he does not need his investments to kick off any income – what the UK market is best at – it would be prudent to move part of the portfolio into global stocks.

While Mr Fraser said he is keen to pick his own stocks, in order to have a properly diversified portfolio he would need to spend a lot of time – and money – buying new companies.

The typical investment fund has more than 50 stocks and some have more than one hundred and with this in mind, Mr Fraser should really be looking at funds. These offer him access to well diversified and hopefully well managed portfolios.

Mr Fraser should buy the iShares North American Equity Index Fund for cheap, core access to the US market. He could then complement this with a couple of UK stock funds.

The Liontrust UK Growth Fund focuses on large and mid-sized British companies that are growing profits consistently and Blackrock Throgmorton Investment Trust owns smaller companies.

Jason Hollands, managing director at Bestinvest, said: Mr Fraser's portfolio is incredibly concentrated, consisting of nine individual stocks and one investment trust. Moreover, a hefty 22pc is allocated to one stock: FTSE 250-member Rotork.

It is a high quality business which makes filtration and measuring instruments for the oil and gas and other industries, and has been a solid performer since the Covid crash. But committing more than a fifth of his savings is far too risky.

With both Jet2 and IAG, 13pc of the portfolio is in airlines. It would be tricky to find a more volatile sector than travel and leisure at the moment given the re-emergence of Covid travel restrictions. The portfolio overall is skewed to sectors exposed to the ups and downs of the economy, known as cyclical stocks.

Funds to consider

Investment	Cost	Size	Yield	Return this year
iShares North American Equity Index	0.07	£7.1bn	1	25
Liontrust UK Growth Fund	0.87	£750m	1.5	15
BlackRock Throgmorton	0.6	£950m	1.1	24
Monks Investment Trust	0.45	£3.3bn	0.15	1
F&C Investment Trust	0.35	£4.7bn	1.35	13
RIT Capital Partners	0.66	£4.6bn	1.3	30

FE Fundinfo, Hargreaves Lansdown

A less risky strategy would be to base the portfolio around a handful of investments trusts so the investments are diversified across different markets, sectors and themes.

Scottish fund group Baillie Gifford's global growth-orientated Monks Investment Trust, which has an impressive record investing in fast-growing companies, can be bought at a 3.45pc discount to the value of its stocks. The venerable F&C Investment Trust, which invests globally, can also be picked up on a 7.9pc discount

To dampen down the risks of being solely invested in stocks, he might also consider RIT Capital Partners which has long been home to assets of the Rothschild family. RIT invests in listed shares, but also hedge funds and private companies.