Money Observer

Recession-proofing a portfolio: shares and funds that fit the bill

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We run through 'recession-resistant' shares and also highlight the types of fund that fit the bill for investors looking to reduce risk and add some defensive ballast to their portfolio.

Even under an optimistic scenario, whereby the gradual easing of lockdowns in Europe in the coming weeks prove to be a success and avert the triggering of a second wave of coronavirus cases, the global economy is clearly heading towards a recession. What's uncertain is how deep and long the recession will be.

This part of the market cycle throws up plenty of challenges for investors, but during such times, while there will be plenty of businesses under the cosh, some firms will be relatively immune to the wider economic malaise. Below we run through 'recession-resistant' shares from two fund managers who for some time now have been building a large position in defensive growth business in their respective funds.

Separately, we also highlight the types of fund that fit the bill for investors looking to reduce risk and add some defensive ballast to their portfolio…

…Defensive funds: the types to consider

Global funds that focus on or have a notable amount of exposure to defensive growth businesses, such as Rathbone Global Opportunities and Mid Wynd International investment trust, held up well during the first quarter of 2020. Other global funds that also managed to limit losses included Fundsmith Equity and Trojan Global Equity. All four funds are Money Observer Rated Funds.

Other defensive funds options to consider include wealth preservation investment trusts, which prioritise protecting investor capital and invest on the principle that they would sooner keep £1 rather than risk losing it to try and win £2.

The four trusts that meet this description are Capital Gearing, RIT Capital Partners, Ruffer Investment Company and Personal Assets. Each has a low weighting to equities and plenty of defensive armoury, such as low-risk inflation-linked bonds and a small weighting to gold.

Other defensive options include multi-asset funds. Owing to their greater levels of diversification, should be better equipped to weather a market storm than equity funds that either invest globally or focus on a particular region…