

The Telegraph

Telegraph 25: the definitive list of our favourite funds

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Here are the best funds to fill your Isa and pensions with before the tax year ends

It has been a strong year for the Telegraph 25, with more than two thirds of the funds on our list beating the average returns of direct rivals, in some cases spectacularly so.

Scottish Mortgage has been the standout, with shares in Britain's biggest investment trust having more than doubled over the past 12 months. Biotech Growth, our "wild card" pick specialising in US healthcare companies, was not far behind.

But we are not resting on our laurels. In the first update to our list since the pandemic struck, sending global stock markets plunging before huge economic stimulus sparked a recovery, we have made a series of changes.

Manager changes have prompted some cuts, such as Jupiter European, Man GLG Japan Core Alpha, BlackRock Asia Special Situations and Schroder MM Diversity. For others, our conviction has weakened and we see better opportunities elsewhere.

Investors must remember this list is not an off-the-peg portfolio to pump your money into and forget about. DIY investing requires you understand the risks you are taking and conduct your own research to ensure that an investment fits your needs and blends with others that you already hold.

Some funds on the list have been chosen expressly because they can be relied on to do several jobs well without the need for close monitoring. Others, however, operate in a way that is higher risk.

The list is designed to highlight funds that are the very best in the field they operate in and we believe will give the best returns for the risk being taken. Unless we make clear to the contrary, the funds are intended for long-term investors who want a home for their money for five, 10 or even 20 years.

We have divided the list into five sections: British funds, world funds, income funds, “get rich slow” funds and “wild cards”.

British funds

1. iShares UK Equity Index

“Passive” funds such as this, which track the performance of a particular market, rather than employ an expensive fund manager to try and beat it, are a low-cost option. For cheap access to Britain’s stock market, this fund is hard to beat. *Charge: 0.06pc | Cheapest share class: D | Five-year return: 38pc.*

2. Jupiter UK Alpha

Once Old Mutual, then Merian, now Jupiter UK Alpha, this fund’s name has changed repeatedly, but the manager has stayed the same. Richard Buxton has invested in Britain’s biggest blue-chip stocks for more than three decades and his “value” investment style has come back into favour. *Charge: 0.78pc* | Cheapest share class: UI | Five-year return: 43pc.*

3. Liontrust Special Situations

A new entry, replacing Polar Capital UK Value Opportunities. Managers Anthony Cross and Julian Fosh invest in British companies of all sizes and few have matched their record over the last decade. *Charge: 0.83pc | Cheapest share class: I | Five-year return: 71pc.*

4. Fidelity Special Values

The past year brought a return to form for Alex Wright, the manager of this trust. His long-term returns are impressive. Small and medium-sized British firms feature, as well as the FTSE 100’s blue-chips. *Charge: 0.98pc | Ticker: FSV | Five-year return: 56pc.*

5. Marlborough UK Micro Cap Growth

A strong option for investors wanting to tap into the growth offered by Britain’s smallest companies. Manager Giles Hargreave has now stepped down but his experienced successors have worked alongside him for nearly a decade. *Charge: 0.78pc | Cheapest share class: P | Five-year return: 124pc.*

World funds

6. Legal & General International Index Trust

This passive fund offers access to more than 2,000 companies that make up overseas stock markets, and held alongside the iShares UK Equity Index fund would give investors access to the world's shares at a low cost. *Charge: 0.08pc | Cheapest share class: C | Five-year return: 100pc.*

7. Scottish Mortgage

A standout investment trust that has delivered explosive returns over the past 12 months and decade, by backing fast-growing companies that have revolutionised their industries. Low charges and access to unlisted companies, enabled by its trust structure, add to its appeal. Manager James Anderson, who has led the fund since 2000, will step down in April 2022. Co-manager Tom Slater, who joined in 2015, will take over and we retain our long-term conviction. *Charge: 0.36pc | Ticker: SMT | Five-year return: 384pc.*

8. Fundsmith Equity

Manager Terry Smith's investment mantra, "buy good companies, don't overpay, do nothing" has delivered stellar returns for investors in his flagship fund, now Britain's largest. A concentrated portfolio of 29 stocks from around the world that is worth its relatively high charge. *Charge: 0.95pc | Cheapest share class: I | Five-year return: 128pc.*

9. JP Morgan Emerging Markets

Veteran manager Austin Forey, an investor in emerging markets since 1994, runs this £1.6bn investment trust. Most of the fund is held in Asian companies, and it has beaten the returns of rival trusts over one, three, five and 10 years. *Charge: 0.94pc | Ticker: JMG | Five-year return: 160pc.*

10. BMO Global Smaller Companies

Its heritage stretches back 132 years and this trust offers broad access to smaller stocks trading on markets around the world. Manager Peter Ewins invests in funds run by specialists, including those otherwise inaccessible to British investors. *Charge: 0.75pc | Ticker: BGSC | Five-year return: 63pc.*

11. iShares Core S&P 500 Ucits ETF

The US market is notoriously hard to beat, as managers have found out to their – and their investors' – cost. This passive exchange-traded fund follows the S&P 500 index of the largest stocks in the world's biggest economy, at a low cost. *Charge: 0.07pc | Ticker: CSP1 | Five-year return: 116pc.*

12. Baillie Gifford Positive Change

This relatively young fund has graduated from Telegraph Money's ethical investment picks to the overall list. Run by Edinburgh fund group Baillie Gifford, like Scottish Mortgage, it has delivered high returns from fast-growing companies since launching in 2017. The fund deserves consideration even by investors for whom – unlike its managers – the social impact of their investments is not a primary concern. *Charge: 0.53pc | Cheapest share class: B | Three-year return: 125pc.*

13. Premier Miton European Opportunities

Since launching in late 2015, this fund has delivered higher returns from European stocks than any rival, and with remarkable consistency. In each of the past five years, performance has ranked in the top 10 of its sector. Carlos Moreno and Thomas Brown's fund replaces Jupiter European, following the departure of its manager Alexander Darwall. *Charge: 0.82pc | Cheapest share class: B | Five-year return: 178pc.*

Income

14. TR Property

TR Property is an unusual investment trust in that the bulk of its portfolio is made up of shares in European property companies, though it does also own some buildings in the UK. That structure means it is easier for manager Marcus Phayre-Mudge to switch investments when markets change. The trust yields 3.8pc and crucially has held its dividend during the pandemic, making use of reserves. Standard Life Investments Property Income, which it replaces, was forced to cut. *Charge: 0.87pc | Ticker: TRY | Five-year return: 54pc.*

15. TwentyFour Dynamic Bond

This fund has free reign to invest in whichever bonds the managers see fit. Solid returns, a 3.9pc yield and a broad spread of government and corporate bonds from around the world make for a good pick. *Charge: 0.78pc | Cheapest share class: I | Five-year return: 32pc.*

16. Artemis Income

Offering a yield of 4pc, this £4.5bn fund has consistently beaten the average returns of rivals and the stock market, even during a grim 2020 for dividend hunters. Managers Adrian Frost, Nick Shenton and Andy Marsh invest predominantly in FTSE 100 stocks. *Charge: 0.8pc | Cheapest share class: I | Five-year return: 40pc.*

17. Man GLG Income

Henry Dixon, manager of the £1.8bn fund, doesn't confine his search for dividends to British blue-chips. "Mid-cap" stocks from the FTSE 250 also feature, making up a third of his fund. Mr Dixon's strong track record sees his fund replace Ardevora UK Income, which has shrunk in size. *Charge: 0.9pc | Cheapest share class: D | Five-year return: 42pc.*

18. Invesco Monthly Income Plus

A mix of bonds with a small portion of dividend-paying shares produces this fund's 4.3pc yield, paid monthly, and solid returns. Last year, Paul Read, who had managed the bonds portion of the fund with Paul Causer since 1999, stood down. He has been replaced by Rhys Davies, who has worked alongside both for seven years and is viewed as a safe pair of hands by analysts. Ciaran Mallon runs the shares portion. *Charge: 0.67pc | Cheapest share class: Y | Five-year return: 32pc.*

19. City of London

No trust boasts a better dividend record than City of London, which has raised its payout in each of the past 54 years. This is combined with a high yield, of 5.2pc, from its investments mostly in British stocks listed on the FTSE 100, making the trust a solid income pick. *Charge: 0.36pc | Ticker: CTY | Five-year return: 29pc.*

Get rich slow

20. RIT Capital Partners

The home of Rothschild family money, this trust offers the benefits of stock markets but softens the worst of the bumps. It buys a range of assets, including shares, property, gold and private companies. *Charge: 0.68pc | Ticker: RCP | Five-year return: 58pc.*

21. Vanguard LifeStrategy

For those wanting to invest their money and then leave it alone, few options are cheaper and simpler than Vanguard's LifeStrategy range. Each of the five funds offers a different portion held in shares, rising from 20pc to 100pc, with the remainder held in bonds. Both portions of each fund are invested in Vanguard's tracker funds, keeping costs low, and the split between the two is maintained by regular rebalancing. *Charge: 0.22pc | Cheapest share class: n/a | Five-year return: 53pc (60pc shares).*

22. Ruffer Investment Company

It proved its mettle during the financial crisis, rising when markets tumbled, and the trust did so again last year. The managers built on gains in last March's meltdown as inflation fears struck this year. *Charge: 1.08pc | Ticker: RICA | Five-year return: 51pc.*

Wild cards

23. HarbourVest Global Private Equity

Private companies are usually out of reach for DIY investors, but can be accessed through trusts such as this. It buys other funds, offering a slice of thousands of unlisted firms, and has delivered strong returns. *Charge: 0.55pc | Ticker: HVPE | Five-year return: 123pc.*

24. Biotech Growth

Biotechnology stocks have been among the market's best-performing shares in the past decade, and few picked as many winners as this trust. Its shares have doubled over the past year and are up by 800pc over the past 10. This specialist fund is strictly for the adventurous, with some big falls along the way. *Charge: 1.1pc | Ticker: BIOG | Five-year return: 164pc.*

25. Fidelity China Special Situations

Manager Dale Nicholls has built up a strong track record of investing in the world's fastest-growing major economy since taking over from Anthony Bolton in 2014. Shares in the trust have more than doubled over the past year, delivering three times the returns of China's stock market. Mr Nicholls can also invest up to 10pc of the trust's assets in private companies yet to list on the stock market. *Charge: 0.99pc | Ticker: FCSS | Five-year return: 262pc.*