The Telegraph

Telegraph's top 10 'defensive' funds to protect your savings

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Investors looking for specialist funds that can manage choppy markets should add these to their Isas and Sipps

As the end of the tax year nears, we have revamped the Telegraph Defensive 10, a shortlist of our favourite funds for Isa and Sipp investors seeking not only to grow their money but to protect it from the worst of stock market falls.

The Defensive 10 is produced alongside the Telegraph 25, the definitive list of our favourite funds. It is intended as a more specialised list for investors with a more cautious approach.

Most, but not all, funds on the Defensive 10 also feature on the Telegraph 25.

Funds with a focus on wealth preservation proved their mettle last year, as stock markets plunged last March at the onset of the coronavirus pandemic.

Those that feature on our list are funds we believe have built protection against the ups and downs of markets, though they may sacrifice some long-term growth potential in return.

1. 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. The reliability of this trust's income makes it a defensive pick.

Charge: 0.36pc | Ticker: CTY | Five-year return: 29pc

2. 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

3. Capital Gearing

Established in 1963, this £635m investment trust has a strong track record of protecting against market falls. The three-strong management team invests in a mix of shares, property, bonds and infrastructure.

Charge: 0.7pc | Ticker: CGT | Five-year return: 42pc

4. 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

5. Vanguard LifeStrategy 20pc/40pc

For those wanting to invest their money and then leave it alone, few options are cheaper and simpler than Vanguard's LifeStrategy range. The five funds offers a different portion held in shares, rising from 20pc to 100pc, with the remainder held in bonds. For cautious investors, the lower the shares exposure, the better.

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: 28pc (20pc shares) 40pc (40pc shares)

6. Troy Trojan

This fund, managed by Sebastian Lyon since 2001, invests in British and American stocks, bonds and gold. It also holds a hefty amount in cash. Its goal is to deliver an above-inflation return over the long term, which it has achieved.

Charge: 0.86pc | Cheapest share class: X | Five-year return: 28pc

7. 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

8. 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

9. International Public Partnerships

This £2.7bn trust invests in infrastructure, assets that are prized not only for the income they produce but their defensive qualities. Investments in schools, hospitals, court buildings and military housing produce its 4.6pc yield.

Charge: 1.09pc | Ticker: INPP | Five-year return: 46pc

10. Real Estate Credit Investments

Yielding 8.6pc, this £319m investment trust puts its money into loans or bonds that fund property developments in Europe. The loans are secured against the buildings, which means that whatever happens to the stock market or the economy, the building owners have to keep making payments on the loans.

Charge: 2.18pc | Ticker: RECI | Five-year return: 31pc