

Outlook precarious for both bonds and property

KYLE CALDWELL AND FIONA HAMILTON OUTLINE A BUNCH OF BOND AND PROPERTY INVESTMENT IDEAS AS WELL SOME MULTI-ASSET FUND SUGGESTIONS

PROPERTY

Custodian Reit

SPTR 1 year 4.4%, 3 years 25.4%, yield 6.4%

Custodian Reit invests in UK commercial real estate for an attractive and rising income plus the potential for capital gains. Tim Cockerill says: "The portfolio is well-diversified, with a large number of properties and tenants. The units are small in size, so the manager invests in a part of the market that large property vehicles won't cover, making it more flexible. The yield is attractive, despite the shares' premium rating."

Secure Income Reit

SPTR 1 year 14.2%, 3 years 51%, yield 4.1%

Secure Income seeks to provide shareholders with a secure and growing income from geared exposure to high-quality property let to financially strong tenants in the health-care and leisure sectors. The weighted average unexpired term of its leases is more than 21 years, and most have upwards-only RPI-linked rent reviews. Its small premium rating, currently at 3%, reflects its exceptionally strong three-year total returns. Peter Hewitt says: "It is a very safe property firm, with good dividend growth prospects."

FIXED INCOME

Vanguard Global Bond Index

TR 1 year 8.3%, 3 years 9.3%, yield 1.8%

✓ This is a highly diversified tracker with exposure to 11,703 global bonds. It is cheap too: its ongoing charges figure is 0.15%. For almost a decade various commentators have tried to call the end of the 35-year bull market for bonds, but bonds should not be discounted as diversifiers.

John Husselbee says: "With little dispersion in returns between government bond markets, we prefer to own a cheap passive product for bond exposure."

M&G Global Macro Bond

TR 1 year 6.5%, 3 years 6.5%, yield 2.5%

✓ The future path for bonds is unclear, says Brian Dennehy. "But if we had



to entrust our money to anyone, it would be M&G's Jim Leaviss and the M&G Global Macro Bond fund."

The fund invests across currencies, government and corporate bonds, and developed and emerging markets. Given the unpredictability in bond markets, he likes the fund's flexible approach and ability to move around the globe to exploit opportunities.

Liontrust Strategic Bond

TR 1 year 7.7%, 3 years n/a*, yield 2.4%

This bond is tipped for the second year on the spin, owing to its experienced management team. Kelly Prior says: "Using income and capital growth, [Liontrust's] experienced team has designed a truly strategic fund to give something of a traditional bond fund return in a market that has become hooked on extreme expectations. Driven by the macro views of Dave Roberts at the helm, supplemented by the bottom-up analysis of Donald Philips and with Phil Milburn sitting somewhere in the middle, the team

scours multiple asset classes and markets to achieve outperformance."

MULTI-ASSET

Royal London Sustainable Diversified

TR 1 year 17.5%, 3 years 36.5%, yield 1.5%

✓ Royal London invests in growing, innovative firms that have a positive impact on society. Manager Mike Fox manages a mixed-asset portfolio that scores highly in terms of risk-adjusted returns over the past three years. He focuses on long-term themes and trends such as infrastructure and changing demographics.

The fund would suit investors looking for balanced exposure to equities and bonds via an sustainability focus. Dennehy describes it as "one of most consistent multi-asset funds around".

RIT Capital Partners IT

SPTR 1 year 9.7%, 3 years 26.3%, yield 1.8%

This trust places a high priority on capital preservation. Its safety-first approach seems to be something investors are prepared to pay well for, as the trust is trading on a premium of 12%. The trust invests globally in equities, private equity, bonds and hedge funds, with an actively managed currency overlay. Its approach means it shines in downturns but lags in upturns. Tim Cockerill says: "It is an ideal long-term core holding, but wait for the double-digit premium to fall before buying."

Troy Trojan

TR 1 year 7.3%, 3 years 12.1%, yield 0.7%

Troy Trojan's respected fund manager Sebastian Lyon invests in global shares, government bonds and gold.

Ben Yearsley says: "The manager takes a cautious approach, with real preservation of capital (taking account of inflation) an important facet." Victoria Hasler adds: "The manager has positioned the fund conservatively for a number of years now, as he believes the valuations of many assets remain at extreme levels."

Notes: Green = growth; blue = income choice. (SP)TR = (share price) total return. ✓ Money Observer Rated Fund 2020. All performance data Morningstar, as at 1 December 2019. Full performance data is on pages 69 to 89. Panelists details page 53. * Insufficient track record.