

Royal Returns - Interactive Investor on funds and trusts fit for children

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Whilst the latest addition to the Royal family won't want for much, it's unlikely that any investments made on his behalf will be left to languish in cash. This contrasts with the majority of the nation's Junior ISAs, where 70 per cent by number are in cash in the 2017/18 tax year, according to HMRC.

interactive investor picks some of the funds and trusts worth considering as investments for children, from ethical funds to some of the original collective investments. Some were invented for investors of 'moderate means', and some which were invented for the nation's wealthiest families. After all, if you can't beat them, join them!

Moira O'Neill, Head of Personal Finance, interactive investor, says: "The stock market might be an uncertain place, but an eighteen-year time horizon is ample time to tap into its long-term potential. Investing does not offer guarantees, but nor does cash, which is losing money in real terms given current low interest rates. The best approach is to choose a globally diversified fund or investment trust that can spread your risk around the world. And you don't have to agonise about picking winners – even a fund in the middle of the pack is likely to compare favourably with cash over eighteen years."

Interactive investor's fund and trust picks

The original collective investment vehicle - F&C Investment Trust

Moira O'Neill says: "Still going strong after 150 years, this trust actually invented collective investment, 'allowing the investor of moderate means the same advantages as the large capitalist' by enabling investors to pool their money together. With half its exposure in North America, it spreads risk across the globe and has been able to raise its dividend for 48 straight years, which is reassuring. It is a good value, core long-term holding."

An eye on the environment and ethical investment - Impax Environmental Markets investment trust and Royal London Sustainable World

Moira O'Neill says: "The climate emergency is being felt more acutely than ever, with humans reportedly at risk from the dramatic decline in the Earth's natural resources and life support systems. With a lack of collective action, children are being left to pick up the pieces and are passionately making their voices heard, as the global climate school strikes demonstrate. One trust that would complement a diversified portfolio is Impax Environmental Markets investment trust. This aims to help investors grow their wealth by investing in markets that target the cleaner and more efficient delivery of basic services of energy, water and waste. Renewable energy features strongly, as does recycling.

"For those looking for a broader approach, we like Royal London Sustainable World, which invests in companies around the world that adhere to the manager's ethical policy. Whilst nothing in life is certain, this fund has a good long-term track record. Those who like the comfort of familiar names will find them here, with Microsoft and Alphabet amongst the top holdings."

The wealthy – if you can't beat them, join them – RIT Capital Partners

Moira O'Neill says: "RIT Capital Partners doesn't come cheap – it is trading on around an 8 per cent premium. But the advantage is that you get to pool your investment alongside the Rothschild family, the trust's founders and largest shareholders. Given that this trust is a vehicle for their family money, it is no surprise that this trust has a capital preservation, as well as capital appreciation approach to running money. And over the long term, they have been very successful at doing just that."

Dip your toe in - Vanguard LifeStrategy 80 per cent Equity Fund

Moira O'Neill says: "One of the main barriers for first-time investors is knowing how to begin - our research shows one in five consumers who are not confident investing just don't know where to begin.

"Multi-asset funds can be a great foot over the starter line for beginner investors. But with over 800 funds to choose from, it's hard to know where to begin. We like the Vanguard Lifestrategy range, and for those with an 18-year time horizon, the Vanguard LifeStrategy 80 per cent Equity Fund has a focus on equity (stock market) investment that is well suited to saving for children.

“These funds are like ready-made investment portfolios, giving instant exposure to hundreds of investments around the world, with some bond exposure to hopefully help take at least some of the sting out of stock market falls.

“For those looking to use their child’s junior ISA allowance, do consider a fund or investment trust – your child might not thank you now, but they will one day.”

Junior ISA - maximum invested			
	Subscribed	3%	5%
Year 5	£ 21,840	£ 23,886	£ 25,343
Year 10	£ 43,680	£ 51,576	£ 57,687
Year 15	£ 65,520	£ 83,677	£ 98,968
Aged 18	£ 78,624	£ 105,342	£129,026

These assumed annual returns are by no means a given, and is for illustrative purposes.

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