FT ADVISER

14 March 2022
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Advisers' top investment trust picks for Isas

Advisers have named the investment companies they would pick to include in their clients' Isas. Isas are a go-to product for a lot of advisers as they seek to top up their clients' tax free allowances ahead of the tax year end.

Investment companies can be a suitable option but there are about 300 for advisers to choose from, according to the Association of Investment Companies. And some are more suitable for younger investors than for those already in retirement.

So which ones to choose? The AIC asked four advisers about their preferred options for each stage in an investor's life.

Paul Chilver, associate and financial planning manager at Birkett Long

For millennials, typically considered those born between 1981 and 1996, Chilver recommended the trusts he was considering or invested in himself.

He named the Montanaro European Smaller Companies Investment Trust, which, he said, had an "excellent long-term track record against its sector".

He also recommended the Mobius Investment Trust. "It sits in the Global Emerging Markets sector and is one I personally like, as it's well diversified over many different emerging market regions." For middle-aged investors he pointed to the Mercantile Investment Trust managed by JPMorgan. "This is a UK all companies investment trust which currently looks to be at an attractive discount at about 10 per cent."

He also picked the Scottish American Investment Company, or Saints, for those starting to think about retirement income, because of its regular dividend payment.

"This trust has a global approach and is one I personally like as it is underweight North America and this could blend well with other global investment trusts investors may hold."

When it came to retirees Chilver highlighted Temple Bar, which, under a new management, recently returned to outperformance following a rocky few years. Temple Bar is now managed by RWC (Redwheel). He also suggested the Shires Income trust, which invests in a mixture of UK equities and fixed income. "This diversified approach has helped to keep volatility down and the trust is currently paying over 5 per cent per annum as an income which is very attractive."

Genevra Banszky von Ambroz, partner at Tilney Smith & Williamson

Banszky von Ambroz cautioned that not all millennials were the same. "Many will have mortgages and dependents now, and this may result in a higher degree of risk aversion relative to those who are just entering the workforce, relatively unencumbered in terms of their financial responsibilities," she said.

For those who have the risk tolerance and the timeframe, Banszky von Ambroz recommended the Ashoka India Equity, a mid and small cap Indian equity trust, and VH Global Sustainable Energy Opportunities, which focuses on sustainable energy infrastructure investments which support the UN sustainable development goals.

"The contrarian in me also thinks that Edinburgh Worldwide, which has had a horrible time of it recently, could be interesting on a long-term view," she added. For Generation X, which typically have a lower tolerance for risk than millennials and will be thinking more carefully about saving for retirement, Banszky von Ambroz pointed to the Diverse Income Trust, Finsbury Growth & Income Trust and Schroder Oriental Income, all of which she believes will generate good long-term returns while delivering an income.

For those in retirement and seeking income, Banszky von Ambroz suggested International Public Partnerships, which has a portfolio of operational social infrastructure assets, and RIT Capital Partners, a multi-asset fund which, she said,"aims for, and has generally delivered, long-term capital growth with capital preservation"

How the recommended funds performed over the past three and 10 years (share price total return):

Company	3-year performance	10-year performance
Ashoka India Equity Investment	93.41	-
AVI Global Trust	41.72	162.08
Bankers	37.12	231.88
Biotech Growth	28.59	303.03
Brunner	49.15	220.48
Diverse Income Trust	35.03	212.21
Edinburgh Worldwide	26.06	304.11
Finsbury Growth & Income	11.14	199.52
International Public Partnerships	16.72	116.36
JPMorgan Global Growth & Income	61.89	276.84
Law Debenture Corporation	59.44	202.47
Mercantile	24.36	198.57
Mobius Investment Trust	33.22	-
Monks	35.31	237.92
Montanaro European Smaller	82.48	341.91

RIT Capital Partners	28.85	144.61
Schroder Oriental Income	20.15	140.95
Scottish American	40.64	191.83
Shires Income	15.57	123.56
Temple Bar	6.99	89.01

Philippa Maffioli, senior adviser at Blyth-Richmond Investment Managers

Maffioli likes young people to have significant exposure to pure growth stocks. "Inclusion of biotechnology within a strategy is important due to the innovation and technological development within the sector. I therefore recommend the Biotech Growth Trust," she said.

She is also keen for younger people to gain exposure to medium and smaller companies due to the opportunity for growth, and as such recommended the Mercantile Investment Trust. For middle-aged investors Maffioli recommended the AVI Global Trust. “I admire Joe Bauernfreund’s idiosyncratic style," she said.

"Joe joined AVI in 2002 and focuses on discount opportunities and active engagement...The fund’s investments fall into three broad categories: closed-ended investment funds, family-backed holding companies and thirdly, asset-backed special situations, all of which provides interesting diversification."

She also included the Brunner Investment Trust, which offers large well-financed businesses with good opportunities for growth and reliable dividends. "This investment trust is a dividend hero and has consistently increased its dividend for 50 years," she said. For retirees Maffioli recommended Law Debenture Corporation managed by James Henderson and Laura Foll. The trust focuses on out-of-favour equities standing at discounts to their long-term historical average and currently yields 3.91 per cent.

She also suggested JPMorgan Global Growth & Income for retirees, which currently yields and "attractive" 4.02 per cent.

Neil Mumford, Chartered financial planner at Milestone Wealth Management

Mumford told the AIC: “The key is to choose a manager with an excellent track record." For him Spencer Adair, who manages the Monks Investment Trust, fits this philosophy.He said the trust aimed for long-term capital growth, principally from an actively managed global equity portfolio containing a range of growth stocks.

The current market movement from growth to value has seen this trust sink to a one-year negative return of -25 per cent and a 9 per cent discount, however. But Mumford said "this has not affected its longer-term, 10-year performance of over 210 per cent."

For slightly older investors, with "one eye on growth and the other on their retirement", he, like Chilver, recommended the Scottish American Investment Company, which currently yields 2.73 per cent and trades at a 2.71 per cent discount.

Mumford split retirees into two categories: income seekers and capital compounders, both of which he said could benefit from investing in the Bankers Investment Trust.

"I prefer to recommend trusts with real diversification to help minimise the reliance on one particular market. This trust has the flexibility to invest in any geographic region with no set limits on country or sector exposure," he said.

The trust currently yields more than 2 per cent and aims to increase this by inflation.