

Telegraph 25: three changes to our favourite funds for 2019

*Telegraph Money
updates its list of best
fund ideas – with some
changes for this year’s
last-minute Isa investors*

Most investors struggled to make money in 2018 and our list of favourite funds, the Telegraph 25, was no different: it lost 7.5pc last year and just three of the funds made a profit. However, we beat the FTSE All-Share index, which lost 9.5pc.

Such short-term swings in performance are part of stock market investing and we remain confident about our fund choices. However, we have made three changes this year: we have switched from the Woodford Equity Income fund to Woodford Income Focus, chosen Jupiter European over the Jupiter European Opportunities investment trust and replaced F&C Commercial Property with Standard Life Investments

Property Income Trust.

ISHARES UK EQUITY INDEX
Many active funds fail to beat the market and so for some investors “tracker” funds make the most sense. This BlackRock fund is ultra-low cost and produces returns as near as possible to the FTSE All-Share benchmark. It is a no-fuss way to get a slice of an extremely diverse array of London-listed companies.
OCF: 0.07pc. Share class: D

2MERIAN UK ALPHA
The manager, Richard Buxton, has a strong long-term record, even if performance has faltered at times, and it is this that wins the fund a place in the list.

It invests in larger companies and so is suitable for a wide range of investors. Over the past 10 years Mr

Buxton has delivered an annualised return of 11.6pc, slightly bettering the sector average of 11.4pc per year.

The fund changed its name last year following a management buy-out led by Mr Buxton.

OCF: 0.78pc. Share class: U1

3 POLAR CAPITAL UK VALUE OPPORTUNITIES

This fund is still relatively new, having been launched in early 2017, but it is featured here with good reason. The managers, Georgina Hamilton and George Godber, previously ran the highly regarded Miton UK Value Opportunities Fund, which was included on this list.

The managers undertake their own research into stocks, particularly among smaller companies, where there is a greater chance of finding mispriced shares.

Since its launch, the fund has outperformed both its peers and the FTSE All-Share index.

OCF: 0.86pc. Share class: I

4 FIDELITY SPECIAL VALUES

This portfolio, an investment trust, invests in British companies of all sizes and looks in particular for those unloved by the wider market – the “contrarian” approach.

The manager, Alex Wright, also runs Fidelity’s UK Special Situations Fund. The trust closely resembles that fund but beats it to the list thanks to the extra flexibility of its structure, which has helped it to outperform in rising markets. Mr Wright has a strong performance record.

OCF: 0.92pc. Share class: n/a

5 MARLBOROUGH UK MICRO-CAP GROWTH

The fund invests in many companies that would be too small for rivals to consider. This creates the opportunity for great returns, as companies at that level can grow very quickly, but also brings greater risk.

The fund has a large number of holdings as a means to spread risk. Some are listed on Aim: this less-researched area of the market is, in theory, more fertile territory for active fund managers. The management team is led by the highly experienced Giles Hargreave.

OCF: 0.78pc. Share class: P

6 NEW: WOODFORD INCOME FOCUS FUND

We remain confident that Neil Woodford is a top fund manager, and that his view of the economy, which has led him to buy cheap “unloved” stocks, is right. But we also think his Equity Income Fund, previously on this list, is problematic due to its holdings of unlisted stocks. We are therefore more comfortable holding the Income Focus Fund, which has no unquoted holdings.

OCF: 0.65pc. Share class: Z

7 L&G INTERNATIONAL INDEX TRUST

As with our other tracker funds, this is the cheapest route for investors who want global exposure to stock markets. Investors who do not want to monitor their funds closely will still receive the gains (and losses) generated by global markets.

OCF: 0.08pc. Share class: C

8 SCOTTISH MORTGAGE INVESTMENT TRUST

The co-managers of this investment trust, James Anderson and Tom Slater, hunt for companies that they expect to grow rapidly and sustainably. Performance has been outstanding and the charge is exceptionally low, making the trust a “cornerstone investment” in the view of many analysts we speak to.

OCF: 0.37pc. Share class: n/a

9 FUNDSMITH EQUITY FUND

This concentrated portfolio of 27 companies is one for purists who believe in buying well-run, quality businesses. The manager, Terry Smith, has an outstanding record.

OCF: 0.95pc. Share class: I

10 BLACKROCK ASIA SPECIAL SITUATIONS

This fund was launched in 2014 and has been a top performer since. It has no style bias, meaning it is very flexible, and also has the advantage of being able to draw on BlackRock’s considerable resources.

OCF: 0.98pc. Share class: D

11 BMO GLOBAL SMALLER COMPANIES TRUST

Formerly called F&C, this investment trust was founded in 1889.

It buys region-specific investment trusts that focus on investing in smaller companies. The attraction is the active management it offers for a relatively low price. It is recommended by advisers as a suitable long-term option for a pension or on behalf of a child, for example.

OCF: 0.83pc. Share class: n/a

12 ISHARES CORE S&P 500 UCITS ETF

American shares are the best researched in the world and active funds that can beat the index are few and far between. This tracker follows America's broadly based S&P 500 index, giving investors exposure to Apple, Amazon and Warren Buffett's Berkshire Hathaway for a small fee.

OCF: 0.07pc. Share class: n/a

13 MAN GLG JAPAN COREALPHA

Managed by Stephen Harker, the fund is frequently picked by advisers as being well placed to take advantage of Japan's investment revolution. It uses a "value approach", buying undervalued companies and waiting for a rebound. Performance has been strong and the fund has proved less volatile than rivals.

OCF: 0.90pc. Share class: C

14 **NEW: JUPITER EUROPEAN**
Alexander Darwall, this fund's manager, has a long and successful record of investing on the continent.

We have replaced his investment trust, Jupiter European Opportunities, over concerns about the size of certain positions; this is less of a concern for the fund.

OCF: 0.92pc. Share class: Z

15 TWENTYFOUR DYNAMIC BOND

This is a "strategic" bond fund, meaning that the management team is able to select from a wide range of options, from government bonds to higher-risk corporate ones. It is managed by a team of former bond traders and currently yields 4.5pc.

OCF: 0.77pc. Share class: I

16 ARDEVORA UK INCOME

The fund, which invests in companies that pay big dividends, is run by Jeremy Lang and William Pattison, very experienced managers who have evolved their own distinctive approach. It yields 4.3pc.

OCF: 0.63pc. Share class: B

17 INVESCO PERPETUAL MONTHLY INCOME PLUS

Bonds make up the majority of this fund; they are picked by Paul Causer and Paul Read, a very experienced pair who have achieved good returns versus their peers. A small holding in shares is overseen by Ciaran Mallon. The fund yields 5.6pc.

OCF: 0.67pc. Share class: Y

18 NEW: STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST

This trust, managed by Jason Baggaley, is a new addition. We replaced the F&C Commercial Property Trust after a team of analysts at Canaccord

Genuity, the bank, downgraded their recommendation to sell over the low yield, lack of dividend cover and bias towards poorly performing areas of the property market such as retail.

OCF: 1.8pc. Share class: n/a

19 CITY OF LONDON INVESTMENT TRUST

Managed by Job Curtis, this investment trust has a phenomenal record of paying income: it notched up its 52nd consecutive year of increased dividends in 2018. It yields 4.5pc.

OCF: 0.41pc. Share class: n/a

20 RIT CAPITAL PARTNERS

This is a "wealth preservation" fund that spreads its investments across assets ranging from property and gold to shares listed in emerging markets. Investors may miss the strongest gains when stock markets are rising, but can expect to make up ground in less certain times.

OCF: 0.96pc. Share class: n/a

21 VANGUARD LIFE STRATEGY

This is not one fund but a range, with varying splits between

shares and bonds. Each chunk is invested in tracker funds, drawing on Vanguard's renowned expertise in this area, and costs are kept to a minimum. *OCF: 0.22pc. Share class: A*

22 SCHRODER MM DIVERSITY
Telegraph Money has been wary of some "multi-manager"

funds because the extra layer of management adds costs.

The Schroder fund gets in on the basis that the managers, Marcus Brookes and Robin McDonald, have been prepared to show high levels of conviction in allocating money between underlying funds. An ideal choice for a novice.

OCF: 1.25pc. Share class: Z

23 JUPITER INDIA
Investors will need a strong stomach, as large swings in the Indian stock market will attest, but those with a long-term view should consider exposure to India. Jupiter's fund is admired for the on-the-ground expertise of Avinash Vazirani, the manager.
OCF: 0.69pc. Share class: X

24 THE BIOTECH GROWTH TRUST
This investment trust, which specialises in US healthcare companies, is strictly for the adventurous but the case for biotech is robust – and simple: as we live longer we will need more medical treatment.
OCF: 1.1pc. Share class: n/a

25 SPDR S&P GLOBAL DIVIDEND ARISTOCRATS ETF
This "smart beta" fund mechanically selects global companies that have grown dividends for at least 10 years. The result is a relatively low-cost way to get exposure to defensive stocks, with a solid yield of 3.8pc.
OCF: 0.45pc. Share class: n/a

OUR TOP 10 DEFENSIVE FUNDS

The best picks for cautious investors

- 1 RIT CAPITAL PARTNERS**
OCF: 0.96pc. Share class: n/a
- 2 TROY TROJAN**
OCF: 0.77pc. Share class: S
- 3 CITY OF LONDON**
OCF: 0.41pc. Share class: n/a
- 4 RUFFER INVESTMENT TRUST**
OCF: 1.18pc. Share class: n/a
- 5 JUPITER ABSOLUTE RETURN**
OCF: 0.85pc. Share class: I
- 6 SCHRODER MM DIVERSITY**
OCF: 1.25pc. Share class: Z
- 7 TWENTYFOUR DYNAMIC BOND**
OCF: 0.77pc. Share class: I
- 8 INTERNATIONAL PUBLIC PARTNERSHIPS**
OCF: 1.15pc. Share class: n/a
- 9 REAL ESTATE CREDIT INVS**
OCF: 1.82pc. Share class: n/a
- 10 VANGUARD LIFESTRATEGY**
OCF: 0.22pc. Share class: A

OUR TOP 10 INCOME FUNDS

The best picks for income investors

- 1 ARDEVORA UK INCOME**
OCF: 0.63pc. Share class: B
- 2 MITON UK MULTI CAP INCOME**
OCF: 0.81pc. Share class: B
- 3 CITY OF LONDON**
OCF: 0.41pc. Share class: n/a
- 4 MARLBOROUGH MULTI CAP INC**
OCF: 0.78pc. Share class: P
- 5 ARTEMIS GLOBAL INCOME**
OCF: 0.83pc. Share class: I
- 6 SPDR S&P GLOBAL DIVIDEND ARISTOCRATS ETF**
OCF: 0.45pc. Share class: n/a
- 7 TWENTYFOUR DYNAMIC BOND**
OCF: 0.77pc. Share class: I
- 8 INVESCO MONTHLY INC PLUS**
OCF: 0.67pc. Share class: Y
- 9 STD LIFE PROPERTY INCOME**
OCF: 1.8pc. Share class: n/a
- 10 INTNL PUBLIC PARTNERSHIPS**
OCF: 1.15pc. Share class: n/a

OUR TOP 10 GROWTH FUNDS

The best picks for growth investors

1 FIDELITY SPECIAL VALUES

OCF: 0.92pc. Share class: n/a

**2 MARLBOROUGH UK MICRO-CAP
GROWTH**

OCF: 0.78pc. Share Class: P

3 LIONTRUST SPECIAL SITS

OCF: 0.87pc. Share class: I

4 JUPITER EUROPEAN

OCF: 0.92pc. Share class: Z

5 SCOTTISH MORTGAGE

OCF: 0.37pc. Share class: n/a

6 BMO GLOBAL SMALLER COS

OCF: 0.83pc. Share class: n/a

7 FUNDSMITH EQUITY

OCF: 0.95pc. Share class: I

8 BLACKROCK ASIA SPECIAL SITS

OCF: 0.98pc. Share class: D

9 FIDELITY EMERGING MARKETS

OCF: 0.96pc. Share class: W

10 MAN GLG JAPAN COREALPHA

OCF: 0.90pc. Share class: C

For more information on these lists
visit telegraph.co.uk/go/25funds