The Mail on Sunday

Want your investments to be ready for anything? It's time for The Defensive Dozen - these 12 funds and trusts will protect your wealth and grow

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With stock market uncertainty lying ahead over global trade wars, oil price shocks, recession worries and Brexit, where should investors turn who are looking for a safe place for their money come rain or shine?

The Mail on Sunday has crunched the numbers, with the help of experts at broker AJ Bell, to bring you The Defensive Dozen – those funds that 'defend' your money and have (mostly) shown resilience in the bad times but also shone in the good times.

From the tech bubble and the financial crisis to 2018's stock market slump, these funds did not always make investors money. No fund can offer that kind of certainty. But they lost out a lot less than their counterparts when things cut up rough.

There is no guarantee these funds will provide the same protective armour in future but they have at least proved resilient to date.

Topping the list is investment trust RIT Capital Partners. Over 25 years it has turned £1,000 in to £14,930 – a growth of 1,393 per cent.

The fund fell by 12 per cent when the tech bubble burst in 2001 and by 22 per cent during the financial crisis. But that compared with 27 per cent and 39 per cent falls respectively for the FTSE All-Share Index. Last year, when the All-Share slid by 5.2 per cent, RIT's share price rose 4.2 per cent.

Peter Spiller is the investment industry's longest-serving fund manager and head of Capital Gearing Trust – second in our list of resilient funds. Spiller has seen a lot of ups and downs since he took over the fund in 1982.

But apart from 2014, the investment trust he manages has an enviable record of steady positive returns, including during the 2008 financial crisis. Shares bought at the beginning of his tenure in 1982 for £1,000 would now be valued at £204,000.

The secret of his past success was a focus on bonds, which were good value compared with shares.

He says: 'We have an aversion to losing money. So our basic principle is to hold assets where the prospective returns are high and the risk low and to lock them in for as long as possible.' But he adds: 'Today is much tougher as bonds are not good value and neither are equities.'

With inflation currently causing him the greatest anxiety, he is holding a big chunk of inflation-linked investments to protect against the worst.

While Spiller realises that the trust could miss out on a big upturn in stock markets, he says: 'You need to recognise there are times you cannot make money and preservation is what you should concentrate on.'

THE 12 TO DEFEND YOUR CASH

	% Performance 2008 financial crisis (30.9.07–30.12.08)	% Performance 2018 slump (31.12.17–31.12.18)	% 25-year return (30.9.94–30.6.19)
FTSE All-Share Index	-39.1	-5.2	147
CAPITAL PRESERVATION FUNDS			
RIT Capital Partners	-22.3	4.2	1,393
Capital Gearing	18.5	3.2	951
Personal Assets	-9.9	-1.1	725
Ruffer Investment Company	21.2	-2.3	173
Troy Trojan	3.5	-3.0	251*
Ruffer Total Return	22.9	-6.5	338*
Investec Cautious Managed	-12.2	-7.3	204
INCOME PAYERS			
Bankers	-26.6	-3.3	835
City of London	-29.2	-3.3	656
Troy Income & Growth	-61.2	-0.4	595
Murray Income	-33.6	-1.0	575
BNY Global Income	-12.1	-0.8	308*

Ryan Hughes, head of active portfolios at AJ Bell, agrees. He says: 'We are all looking for the holy grail of fantastic growth potential with limited potential for losses. The reality is you need to accept lower growth potential in return for not having so much of your money at risk when things get difficult.'

There are two keys ways to achieve this. One is through ‘capital preservation’ funds like Spiller’s. The second is to select funds focusing on companies that pay and reinvest dividends. Hughes adds: ‘Many of The Defensive Dozen employ these strategies.’

THE DEFENSIVE DOZEN FUNDS

1 RIT CAPITAL PARTNERS

This £1.5 billion diversified trust invests across both publicly listed shares and private companies, as well as holding alternative investments that can be used to hedge against falls in the prices of the stocks they hold. Jason Hollands, at wealth manager Tilney, says: ‘Much of the portfolio is delegated to specialist, external teams, including hedge funds that would not otherwise be directly available to ordinary investors.’

2 CAPITAL GEARING

The £436 million trust, run by industry veteran Peter Spiller, pursues a ‘fund of funds’ approach. This means the manager mainly builds a portfolio of investment companies and investment trusts. But he also makes direct investments in bonds and passive exchange traded funds.

Hollands says: ‘While the trust doesn’t have a formal target to meet or beat, the minimum return it aims for over the medium term is to keep pace with the Retail Prices Index, currently 2.6 per cent.’

3 PERSONAL ASSETS

This £1 billion trust is managed by Troy Asset Management, which is known for its cautious approach to investing. The trust is a particular favourite of Tilney’s. Hollands adds: ‘It is invested in a combination of blue-chip companies from developed markets, Government bonds, including index-linked bonds, and gold. It won’t blow the lights out in boom times, but aims to deliver steady eddy returns and weather tougher markets well.’

4 RUFFER INVESTMENT COMPANY

Investing across equities, index- linked gilts, gold and cash, this £410 million fund has the flexibility to put money into illiquid assets – ones that cannot be sold quickly – as well as use the likes of ‘options’, a type of investment that hedges against stock price falls.

It has holdings in Asian, Japanese, American, British and European companies.

5 TROY TROJAN

Similar to its sister trust, Personal Assets, this £4.3 billion fund invests across lots of different types of asset, from equities, US and UK Government bonds, gold and cash. Experts see it as a good option for cautious investors.

6 RUFFER TOTAL RETURN

The main aim of this £3.3 billion fund is to preserve investors’ capital in all market conditions – but also to deliver returns better than those provided by cash.

Darius McDermott, of broker Chelsea Financial Services, says: ‘The managers aren’t afraid of buying “options” to protect the fund should markets crash. The fund will underperform in strong markets, but it has a good track record of falling considerably less in sliding markets.’

7 INVESTEC CAUTIOUS MANAGED

This £1.6 billion fund is run by distinguished manager Alastair Mundy. He has a distinctive ‘contrarian’ approach of going against the crowd, including buying into stocks that are out of favour. He balances the pot with bonds, as well as gold and cash.

McDermott says: ‘The intention is for the equity portion of the fund to drive the long-term performance, while the fixed-income element smooths out the ups and downs.’

8 BANKERS INVESTMENT TRUST

This £1.2 billion trust, managed by investment house Janus Henderson, is one of the industry's 'dividend heroes'. These are the investment trusts beloved of income seekers because they increase their dividends year in, year out – in this case over 50 years.

They also appeal to growth investors who simply reinvest the dividends. Emma Wall, head of investment analysis at broker Hargreaves Lansdown, says: 'As a global trust, it offers investors built in diversification – buffering you from individual country concerns such as Brexit or trade tariffs.'

Its long-term performance has been bumpier than some of the other Defensive Dozen. She adds: 'This may be down to having more than 7 per cent of the portfolio in more risky markets such as China.'

9 CITY OF LONDON INVESTMENT TRUST

This UK equities-focused trust is run by star manager Job Curtis – 'a fantastic manager, with an exceptional long-term track record', says Wall. This trust is another dividend hero, having increased its dividend for more than 50 years.

Wall adds: 'Income is the long-term investor's friend. Reinvesting dividends helps to smooth market volatility and potentially grow your pot even through the years where the share prices take a hit.'

10 TROY INCOME & GROWTH

The ten-year performance of the £242 million trust is better than City of London's – turning £1,000 into £2,000 over the past decade, compared with £1,800 at City of London.

Wall says: 'It is run in a cautious manner and focuses on long-term performance.

'This may mean it captures less of the stock market rallies, but hopefully holds on to more money in the downturns.'

11 MURRAY INCOME

This £558 million trust with a strong emphasis on holding financial companies is a solid choice for UK equity income investors. But the long-term performance is not as impressive as Troy Trojan or City of London. Wall says: ‘While the trusts managed similar performance from 2009 to 2014, they then diverged and Murray Income has struggled to catch up.’

It proves that half the battle of good long-term performance is avoiding losses – as you have to work so hard to make up the lost ground.

12 BNY GLOBAL INCOME

This £5.8 billion global fund has faced periods of disappointing performance, but has stuck to its investment process through thick and thin – which is looking for companies that generate plenty of cash and keep paying out dividends.

Wall says: ‘A successful portfolio should include funds which perform differently in certain conditions, as this fund does, cushioning you from losses, but still moving upwards on the whole. It pays a slightly lower yield compared with some of its competitors, but has a more impressive overall return.’