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FINANCIAL WEBSITE OF THE YEAR

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By Jeff Prestridge
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The investment trusts that aim to beat inflation AND keep your money safe: We run the rule over Ruffer, Personal Assets, RIT and Capital Gearing

Most investment funds seek to generate long-term returns for investors. But only a handful of investment managers put the pursuit of such gains behind protecting the value of investors' money through thick and thin.

In the stock market-listed investment trust universe, there are four funds that make the preservation of shareholders' capital a top priority. Between them, they manage assets valued at nearly £8billion.

Wealth runs the rule over these funds that often come into their own during periods of market volatility.

PERSONAL ASSETS

This £1.8billion fund, part of the FTSE250 Index, is managed by Troy Asset Management, an investment house that prioritises the avoidance of capital losses across the various funds it runs. It does this, it says, 'through cautious asset allocation and the careful selection of high-quality companies.'

The trust's objectives are clear – 'to protect and increase (in that order) the value of shareholders' funds over the long term' – and the fund is overseen by Sebastian Lyon, Troy's chief investment officer.

Currently, the trust has exposure to a range of assets. These include gold (bullion as well as shares), equities (both US and UK), US Government inflation-protected bonds and UK Treasury bonds. Fearing the start of a bear market, Lyon says the key is all about wealth preservation. He draws comparisons with the ending of the dotcom bubble in early 2000 which was then followed by further market falls in the wake of the attacks on the World Trade Centre in September 2001.

'Ukraine has acted as the market's wake-up call,' says Lyon. 'Inflation is not transitory as maybe we thought it was six months ago. Inflation will be far more sticky and unpredictable and the days of loose money are coming to an end. That means prices for equities will no longer be chased up while we are in for a period of higher interest rates. Stock market-wise, we are entering a more febrile environment.'

Patience, he says, is the name of the game. The trust's portfolio has not changed since the end of the year, although the asset allocation has – purely a result of shifting asset prices.

Equities and inflation-protected US bonds are the portfolio's two biggest hubs, both accounting for 35 per cent of the trust's assets.

PERSONAL ASSETS
Size: £1.8 billion
Manager: Sebastian Lyon (Troy Asset Management).
Asset split: Equities (35%); US inflation linked bonds (35%); Gold (13%) and UK bonds (17%).
Top holdings: Gold bullion (8.7%); Microsoft (5.9%); Alphabet (5.7%); Visa (4.0%); Nestlé (3.7%).
Performance: +11.8% (1 year); +28.1% (3 years); +30.3% (5 years).
Total annual charge: 0.73%.
Dividends: Quarterly (total of £5.60 in last year).
Share price: £497.
Stock market identification code/ticker: 0682754/PNL.

RUFFER
Size: £829 million
Manager: Hamish Baillie/Duncan MacInnes.
Asset split: Equities (41%); index linked UK Government bonds (21%); gold (8%); derivatives (14%); non UK index-linked Government bonds (7%); cash/near cash (9%).
Top equity holdings: Shell (2.6%); BP (1.8%); Cigna (1.5%); Lloyds (1.5%); Mitsubishi (1.4%).
Performance: +10.0% (1 year); +53.2% (3 years); +38.0% (5 years).
Total annual charge: 1.08%.
Dividends: Half-yearly (1.5p interim, 2.5p total last year).
Share price: £3.11.
Stock market identification code/ticker: B018CS4/RICA.

CAPITAL GEARING
Size: £1 billion
Manager: Peter Spiller/Alastair Laing/Chris Clothier.
Asset split: Equities (43%); index-linked Government bonds (37%); gold (1%); cash (9%); other (10%).
Top equity holdings: iShares MSCI Japan ESG Screened (3.7%); Vonovia (2.3%); Grainger (2%); North Atlantic Smaller Cos (1.7%); SPDR MSCI Europe Energy (1.6%).
Performance: +10.4% (1 year); +27.9% (3 years); +37.2% (5 years).
Total annual charge: 0.58%.
Dividends: Yearly (45p last financial year).
Share price: £51.30.
Stock market identification code/ticker: 0173861/CGT.

RIT CAPITAL PARTNERS
Size: £4.2 billion
Manager: J Rothschild Capital Management.
Asset split: Equities (30%); absolute return (18%); private investments (38%); equities – hedged (11%); other (3%).
Top holdings: Eisler Capital (4.95%); HCIF Offshore (4.36%); BlackRock European Opp Hedge (4.34%); Iconiq Funds (4.3%); Morant Wright Japan (4.22%).
Performance: +14.5% (1 year); +33.5% (3 years); +49.8% (5 years).
Total annual charge: 0.72%.
Dividends: Half-yearly (18.5p, last financial year 35.25p).
Share price: £26.20.
Stock market identification code/ticker: 0736639/RCP.

The equity stakes are well-known brands – the likes of Microsoft, Alphabet and Visa in the United States and UK companies Diageo and Unilever. Its gold exposure includes a stake in Canadian gold miner Franco-Nevada.

Over the past one and three years, the trust has outperformed the FTSE All-Share Index, delivering returns of 11.8 and 28.1 per cent. Over the same periods, the index has generated returns of 10.6 and 15.2 per cent.

One feature of the trust is that its shares trade very much in line with the underlying assets, a deliberate policy designed to ensure shareholders' wealth is not undermined by the shares trading at a discount. The annual charges total 0.73 per cent. Anyone looking to buy into Personal Assets must be aware that individual shares trade at around £497.

RUFFER

The managers of Ruffer have 'taken risk off the table' for the time being as a result of the war in Ukraine.

'There's a huge spectrum of possible geopolitical outcomes which we as investment managers have no particular insight into,' says Hamish Baillie, investment director.

'As a result, we're in defensive mode.' The fund's defences include holdings in gold, inflation-linked bonds and exposure to a strong US dollar. Big equity positions are primarily energy related (BP, Shell and Norwegian oil refiner Equinor) or skewed towards businesses that are protected from the worst impact of rising inflation and interest rates – firms such as Vodafone, BT and Dutch telecoms giant KPN.

For the time being, the trust is light on growth stocks and companies that Baillie dubs as 'expensive defensives.'

He says some of these – for example, US household goods giant Procter & Gamble – are good businesses, but their shares are overvalued. As a result, investors, he says, could lose a lot of money.

RIT CAPITAL PARTNERS

This trust aims to protect and enhance shareholders' wealth over the long term, It is managed by London-based J Rothschild Capital Management and invests across a range of assets including equities and unlisted companies (via funds).

Announcing its results for 2021, trust chairman James Leigh-Pemberton said: 'With turbulent times ahead, this diversified and disciplined approach will be essential to fulfil our objective of long-term capital growth while keeping a strong eye on capital preservation.'

Of the four trusts focused on capital preservation, this has the best performance numbers over the past one and five years. Broker Numis is a fan and says its 'emphasis on capital protection fits well with the risk tolerance of many private investors.'

CAPITAL GEARING

FTSE 250-listed Capital Gearing has generated average annual returns of 8.3 per cent since 2000. It's done this by focusing on preserving shareholders' wealth.

Like the other three trusts, it has a big chunk of its assets (37 per cent) in index-linked bonds, providing protection against inflation.

The £1billion fund celebrates its 40th anniversary next month. It is managed by CG Asset Management which oversees funds with a combined value of £4billion.

Alastair Laing, one of three individuals overseeing the trust's portfolio, says he is 'nervous' about equity prices. As a result, the equity exposure the trust has is skewed towards property and renewable energy. He describes the cash that the trust holds as 'dry powder' which will prove useful if asset prices fall as he predicts, 'We can then recycle the cash to buy equities at attractive prices,' he says.