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FE Trustnet

magazine

[Putting it in reverse]

Drawing down your pension pot

AGE-OLD PROBLEMS
Threats to a comfortable retirement

ONE SIZE FITS ALL?
Is auto-enrolment working?

OLD BEFORE THEIR TIME
Junior SIPPs under the spotlight

+ Fund, Pension, Trust / Sector Profile / Stockpicker / What I Bought Last

ISSUE 42

CREDITS

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FE BE BETTER INFORMED

Editor's letter

New contributor Danielle Levy kicks off this issue with a beginner's guide to drawdown. If you have been sensible and spent your working life paying significant sums into your pension, your retirement marks the time when you can finally reap the rewards of your hard work.

However, you need to work out a drawdown strategy that is right for you, depending on your investment experience, attitude to risk, cost of living and a variety of other factors. AltRetire's John Blowers says that even if you have built up a sizeable pension pot, this doesn't mean you are home and dry – in his regular column, he looks at some of the biggest threats to a comfortable retirement.

We go from one end of the pensions life cycle to the other as I investigate whether it is worth kickstarting your child's pension by opening a Junior SIPP. Whether you will need to take this step depends to some extent upon the success of the auto-enrolment scheme; Hannah Smith assesses its progress so far.

In our regular columns, Tilney's Jason Hollands reveals which fund he is using to complement a typical US product skewed towards the tech stocks dominating the S&P 500, while Blue Whale Capital's Stephen Yiu goes the opposite way and names three FAANG stocks he thinks still have plenty of bite.

Have a great summer,

Anthony Luzio
Editor

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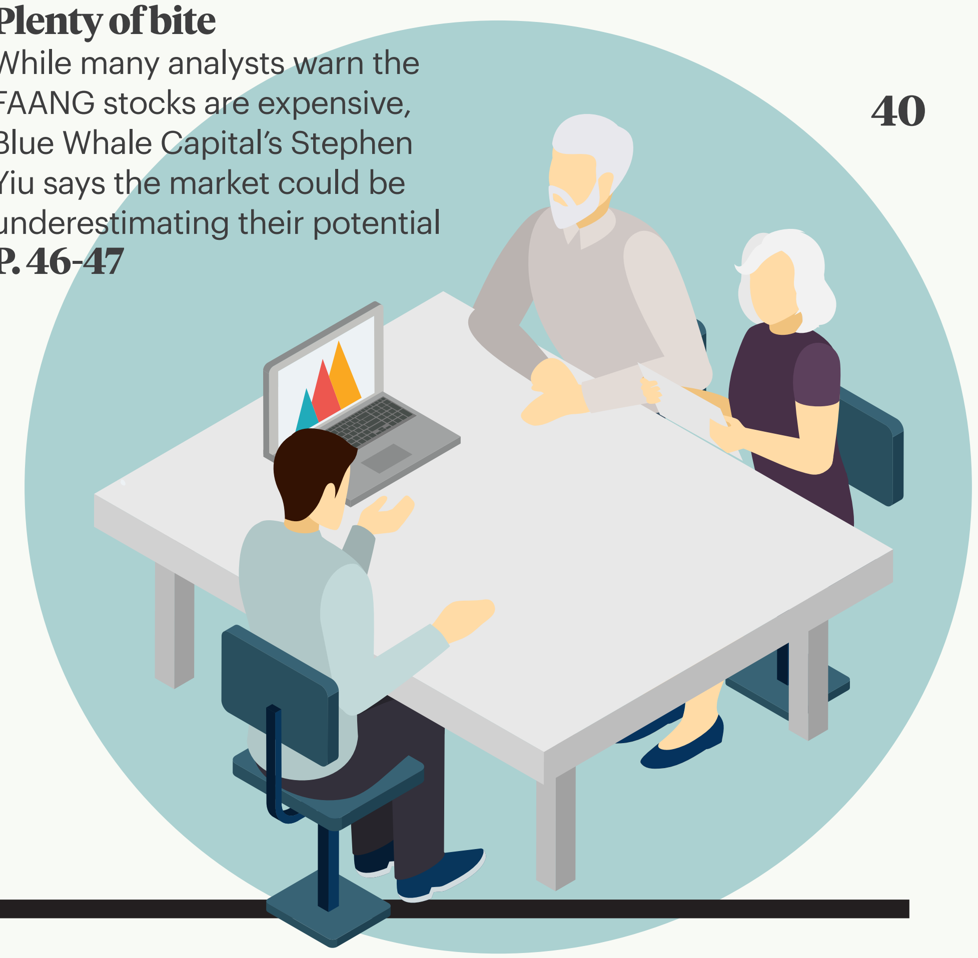


After spending your working life putting money into your pension, you need to carefully weigh up all your options when the time comes to draw it down, writes **Danielle Levy**

Putting it in reverse

Inflation can erode the value of your pension pot over time, particularly if it exceeds the returns achieved by the portfolio

Since compulsory annuities were axed in April 2015, those aged 55 and over can now gain full access to their pension to spend or invest as they wish.

For those approaching retirement, there are two main options to consider. The first is to take out an annuity, which involves exchanging your pension for a secure income for life – normally paid out by an insurance company.

While some retirees take comfort from knowing they will receive a guaranteed income, annuity rates remain at rock-bottom levels and it is unlikely the government bond yields they are linked to will move significantly higher any time soon.

The second option is to adopt a drawdown investment strategy. This means drawing a variable income directly from your pension fund, which remains invested through your retirement. The objective is to increase the value of your income as the value of your portfolio hopefully increases over time.

Nothing is guaranteed

While a drawdown investment strategy has the potential to generate a higher income during retirement compared with an annuity, nothing is guaranteed. If the markets fall at an inopportune time, you could be forced to crystallise a loss in your portfolio because you need to draw an income to live on. Known as "sequencing risk", this could mean that your portfolio fails to generate an adequate income in the future.

In addition, inflation can erode the value of your pension pot over time, particularly if it exceeds the returns achieved by the portfolio.

Given the pros and cons associated with annuities and drawdown strategies, Seven Investment Management's Matthew Yeates says the decision isn't necessarily binary.

"For some people, an annuity may provide some comfort as a building block. This could be combined with a drawdown investment pot for discretionary spending or longer-term goals," he adds.

Doug Ryan, a wealth management director at Mattioli Woods, says the first step for anyone considering drawdown is to seek financial advice.

"Advice is very important because there are so many moving parts to the maths that go into deciding how to structure a drawdown strategy," he explains.

Ryan adds that all sources of income should be considered at this stage, including ISAs, savings accounts, the state pension, other private pensions and buy-to-let properties. A financial adviser will then help you plan the most tax-efficient way to take income from the different savings pots.

Counting the pennies

At this point, Michelle Cracknell, chief executive of The Pensions Advisory Service, suggests dividing spending plans into three categories: "essential", "would like to have" and "luxury items".

"This will help you determine the minimum income that you need. It is often a good idea to have the majority of the minimum income that you need covered by guaranteed income provided by the state pension, a pension from a defined benefit scheme and/or an annuity," she says. Cracknell also highlights the potential tax implications related to different drawdown strategies, which

> "Advice is very important because there are so many moving parts to the maths that go into deciding how to structure a drawdown strategy"

will be linked to how you plan to take your 25 per cent tax-free lump sum.

From the outset, it is also important to consider the income that could be generated from your assets and whether there could be any shortfall.

For example, online fund broker Hargreaves Lansdown offers its clients a free personal drawdown illustration, which shows how withdrawals could affect their future income.

If drawdown appears to be the right path for you after taking these considerations into account, what are your options?

Natural resources

The first is to draw a natural yield from the portfolio. This means relying on the income that is generated from your investments in order to avoid taking money out of the capital base. However, if the income produced is insufficient, you could be forced to dip into the portfolio's capital. This is ill-advised during times of market stress.

The second involves running a large cash element, so the retiree can avoid

FIVE POINTS TO CONSIDER FOR A DRAWDOWN STRATEGY

By **Peter Finnigan**, Sanlam's head of private clients in the South West

1. **What is the value** of overall assets available to draw on?
2. **How much money** do you require each year? For example, will you need to access a large one-off lump sum over the next five years?
3. **What are your plans** over the long-term? For example, do you plan to downsize or make any gifts to children?
4. **Is there a shortfall** between the income that is being generated from your assets and the income you require to fulfil your plans?
5. **How long** would your assets last if they saw no growth or fell in value during the early years?

having to sell assets at depressed prices. However, the downside is that the cash buffer needs to be replenished continually and can be eroded by inflation over time.

Wealth manager Mattioli Woods typically holds what equates to between one year and 18 months' worth of income for the client in low-risk, cash-like investments.

This comprises cash deposits, investments with short maturities where the minimum maturity value is known, as well as income-generating assets such as property.

Recovery time

Ryan points out this cash buffer can provide the portfolio with some time to recover from a market fall. Another pot is then invested with a two- to five-year timeframe, while the remainder of the portfolio is allocated to higher risk assets such as equities and is invested for the longer term. In theory, this pot should be less vulnerable to short-term market falls.

"One of the major issues when you are in drawdown is if the cash is not planned for properly," Ryan adds.

However, Thesis Asset Management believes there is one major pitfall with the "cash buffer" approach. The group says holding too much in defensive assets for too long can limit the portfolio's ability to generate the returns needed to sustain itself over the long term.

With this in mind, the firm has launched a managed income service. This comprises a wealth-preservation portfolio of lower-risk income-generating assets, alongside a wealth-accumulation portfolio of assets with the potential to deliver growth and income over the long term. During

"Making sure that your portfolio is not only generating good returns, but can do so in a smooth manner, is really important"

• • •

the early years of retirement, an income is drawn from the wealth preservation portfolio to cushion any market falls.

However, the investment team attempts to avoid a performance drag from the defensive assets over the long-term.

They do this by winding down the wealth preservation portfolio over time, depending on the individual's objectives and market conditions. Eventually, the portfolio becomes completely invested in the wealth accumulation portfolio.

Fire insurance

Another option is to adopt a multi-asset approach which aims to lower volatility – for example, by holding funds that use derivatives to protect against falling markets.

"Making sure your portfolio is not only generating good returns, but can do so in a smooth manner, is important," explains Rob Morgan, pensions and investments analyst at Charles Stanley Direct.

He says building a diversified portfolio with a range of asset classes with a low correlation to each other should help to lower volatility.

However, there are many challenges with this approach. The first relates to the role of bonds in portfolios. Although they have historically been used to lower volatility and smooth returns, they may not prove to be as defensive as investors anticipate.

In addition, absolute return funds have historically been prime candidates for low volatility multi-asset strategies. However, they have disappointed in recent times.

For example, Standard Life Global Absolute Return Strategies (GARS), which at £17bn is the largest absolute return fund, is in negative territory over the past 12 months.

"The problem is the fund is only as good as the ideas that go into it. If they do not chime with what is going on, you can have a period of lacklustre returns," Morgan explains.

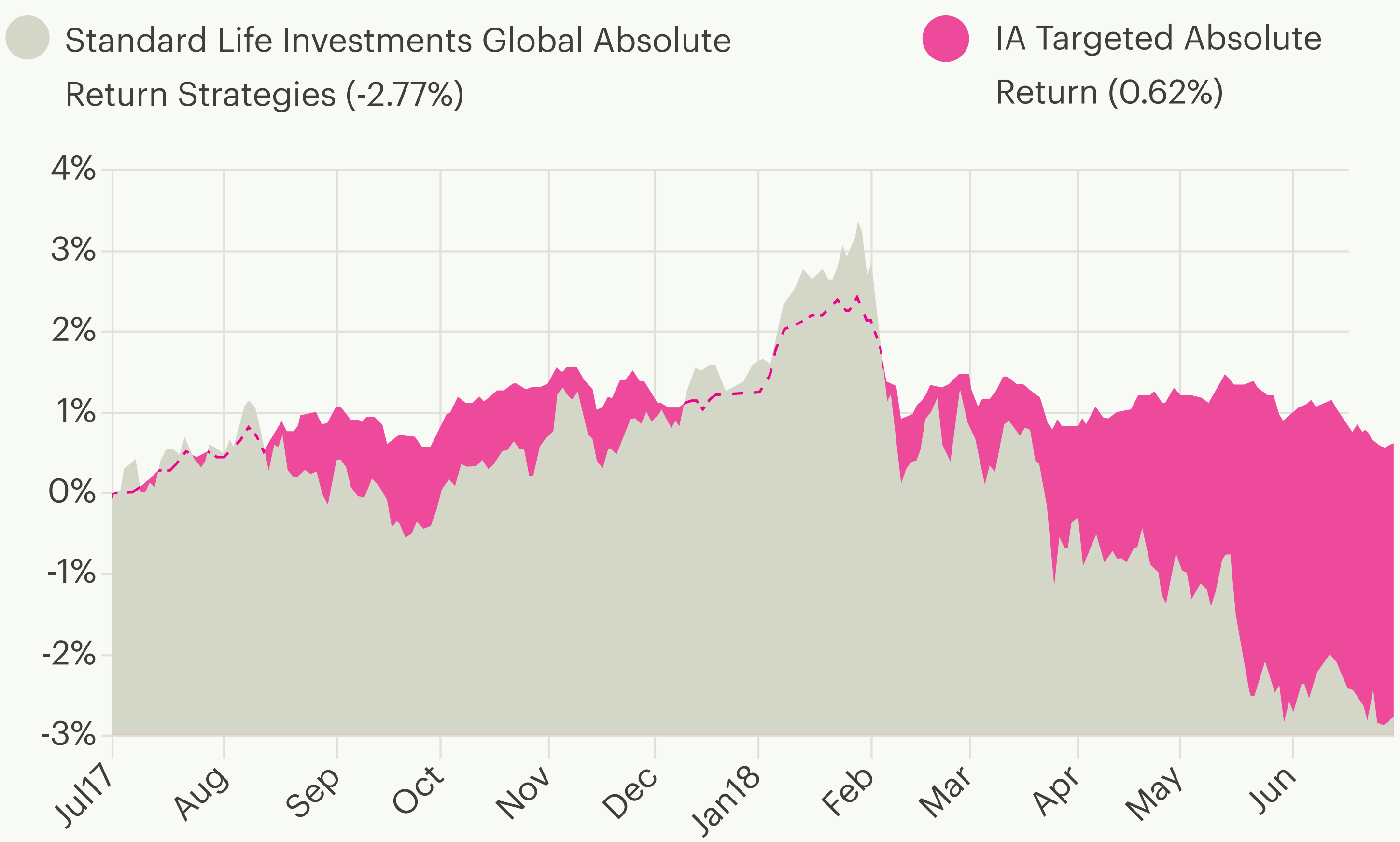
GARS isn't alone: close to half of absolute return funds have lost money over the past year, in a period when markets have performed well.

Planning makes perfect

While drawdown strategies offer the potential to maximise retirement income, they are not without challenges. Deciding which option is right for you depends on your circumstances, objectives, risk tolerance and investment experience.

Planning makes perfect – and this is the case when it comes to managing your pension. While meeting a financial adviser would be a good start, make sure you have mapped your objectives and spending plans and have a sustainable income target. Most of all, be prepared for whatever the market could throw your way. •

PERFORMANCE OF FUND VS SECTOR OVER 1YR



Source: FE Analytics

James Budden says Monks Investment Trust's diverse and measured take on global growth makes it a suitable cornerstone of any investor's portfolio

Monks – growth from different perspectives

Charles Plowden, Malcolm MacColl and Spencer Adair have been managing Monks Investment Trust since April 2015. But this triumvirate have been working together since 2005 on Global Alpha, Baillie Gifford's largest institutional strategy with over £30 billion invested. Monks sets out to be a core global growth investment and could act as a cornerstone to private investors' portfolios.

The managers seek to create a differentiated, actively managed global equity portfolio containing a diversified range of growth stocks. Recognising that growth comes in many shapes and sizes, they have identified four sub-categories of growth that they believe will generate sustainable growth and hopefully lead to the trust's outperformance over the long term.

When analysing businesses, the managers focus on their underlying growth attributes and do not allow themselves to be distracted by the traditional habit of labelling companies by sector or domicile. For them, it is ridiculous to think that the location of a company's headquarters matters in this globalised world, or that all financial or technology stocks share common business characteristics.

Monks categorises its investments into four growth categories: Growth Stalwarts, Rapid Growth, Cyclical Growth and Latent Growth. The team has a clear view of the inefficiencies they are exploiting within each growth category and the reasons why they expect investments to outperform. The use of these four designations also encourages diversity across the portfolio and provides a means of monitoring the operational performance of the investments.

Monks sets out to be a core global growth investment and could act as a cornerstone to private investors' portfolios

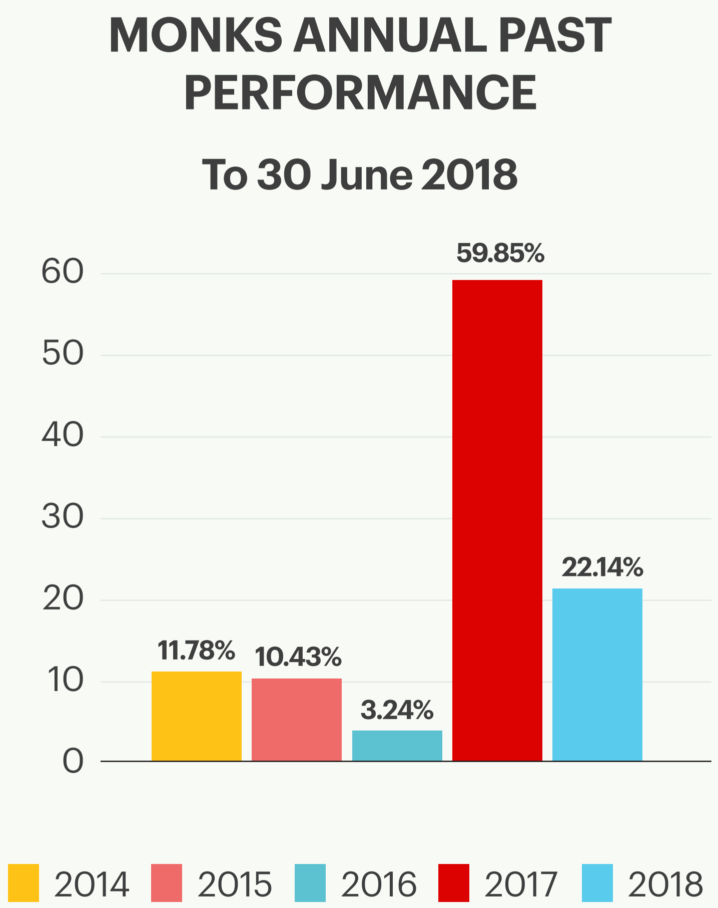
1. Growth Stalwarts

These companies have durable franchises. They are expected to deliver robust profitability in most macroeconomic environments. Within this area, the managers are often drawn to businesses where the competitive advantages include dominant local scale, customer loyalty and strong brands. An example of one such stock held in the portfolio would be

• • •

Thermo Fisher Scientific, the medical equipment, software and services company. In healthcare terms it is akin to those firms who sold picks and shovels to miners during the gold rush. It enjoys high customer loyalty and has the potential for strong structural growth. We would hope Stalwarts produce earnings and cash flow per share growth of around 10% per annum over the long run. These are the types of long-duration businesses where the market fails to appreciate the benefits of compounding, as they may appear unexciting relative to more rapid or cyclical growth companies.

2. Rapid Growth
Most frequently, these are earlier stage businesses where the market opportunity is vast. Investments in this area might expect to deliver high levels of revenue growth (at double digit per annum rates), and profit growth of 15–25%+ per annum on a five-year view. Commonly, these are companies which are innovative, some attacking existing industry profit pools and some creating new markets for themselves. The AIA Group, which is one of pan-Asia's largest insurance and investment groups, is a typical Rapid Growth company. It is capitalising on Asia's expanding middle class, tackling a huge and as yet unmet need for basic financial products.



Source: Morningstar. Share price, total return.

3. Cyclical Growth
Companies in this category will have material secular growth prospects, but will also be subject to the influence of macroeconomic or capital cycles, and sometimes both. Here the managers look for businesses which are adaptable, with management teams trusted to allocate capital skilfully. Typically, the earnings of these businesses are expected to increase 10-15% per annum over the course of a complete cycle. Orica would be a good example from the current portfolio. This company provides services to the mining industry. In particular Orica is the global leader in commercial explosives and blasting technologies. Its business is set to pick up as the mining industry recovers, offering a potential opportunity for significant margin improvement.

4. Latent Growth
These are firms with often unspectacular recent operational records. The market expects them to either shrink or produce very low growth. However, analysis has identified a company-specific catalyst or series of catalysts, which will allow above-average earnings and cash-flow growth to re-emerge. The Monks managers expect to make money in these stocks if the market's expectations for earnings growth are upgraded and higher valuation multiples are attached to the profit stream. Fiat Chrysler Automobiles fits into this category. Through a series of bold purchases (including Chrysler and Jeep), the management of Fiat have set about rejuvenating tired brands and dispelling poor market perceptions about their products.

In essence, Monks offers a diverse and measured take on global growth. The managers like a flat portfolio with around 110 stocks sized according to enthusiasm. They invest with an eye to valuation levels. It is a trust that can sit comfortably at the centre of anyone's portfolio. ●

James Budden
Director, Marketing and Distribution, Baillie Gifford

James graduated MA in Classics from the University of Cambridge in 1987. He joined Baillie Gifford in 2008 having worked at Witan Investment Trust and Henderson Global Investors. James is a Director of Marketing and Distribution in the Clients Department.

Hannah Smith investigates whether a single scheme such as auto-enrolment can hope to solve the many different retirement issues of its vast number of members

One size fits all?

Between its launch in 2012 and the end of this year, around 10 million people will have been automatically enrolled in a workplace pension. But is the auto-enrolment system working for everyone? What has it achieved and where is it falling short?

Minimum contributions went up in April this year from 2 to 5 per cent of earnings, made up of 3 per cent from the employer and 2 per cent from the worker. This will rise again next April to 8 per cent. New research released in June by Hargreaves Lansdown found high levels of engagement, with more than half of the 44,000 customers it surveyed voluntarily increasing contributions to workplace pensions.

Opt-out rates have been low, at 9 per cent in 2017. Those that do opt out tend to be part-time workers or nearer to retirement age – over 55s are nearly three times more likely to do so than younger age groups.

The impact of auto-enrolment on young savers has been particularly pronounced. A recent report from the ...

Pensions Policy Institute (PPI) found it has doubled the participation of 22- to 29-year olds in pension schemes. A 22-year-old median earning man in 2017 could build a pension fund of £108,000 under auto-enrolment minimum contributions.

Last year, the DWP reviewed the first five years of auto-enrolment, and made a few recommendations for its future. These included expanding eligibility to 18 year olds, from the current age of 22, and removing the £6,032 floor under earnings before auto-enrolment kicks in so people save from the first pound earned. These changes could see an average 22-year-old's pension pot swell to £146,000.

Chris Curry, director at the PPI, says that auto-enrolment has been more successful than expected. "One reason is the number of people now pension saving, and opt-out is part of that. There were fears that between a quarter to a third of people put in a pension scheme would come out again, but we haven't seen that happen. Inertia is quite powerful – once they are in, people tend to stay in."

He also says concerns that small and micro employers would not be able to cope with auto-enrolment have proved unfounded. As of February this year, one million companies have come on stream and every employer is now covered under the scheme.

Hargreaves Lansdown's Tom McPhail agrees the system has worked surprisingly well. "It has been a success in terms of where we thought the scheme would be at this point. NEST [the government's workplace pension scheme] has done its job, employers have complied, there are very low rates of opt-out, so a lot of boxes have been ticked," he says.

Self-employed workers remain a bit of a blind spot, however – NOW: Pensions estimates 1.3 million people could be missing out on £182m of

Concerns that small and micro employers would not be able to cope with auto-enrolment have proved unfounded

employer pension contributions each year. DWP figures show only one in seven self-employed people saved into a pension in 2016. The Lifetime ISA has failed to bridge the gap because over 40s are not eligible and this age group is more likely to be self-employed. One of the DWP's recommendations set out in December 2017 was to pilot an expansion of the scheme to self-employed people. This could go some way to making sure the auto-enrolment system works effectively for everyone.

Another issue that could arise in future is that employers may offset the rising cost of pension contributions by squeezing wages, putting the burden of pension provision back on to workers. DWP research suggests 10 per cent of employers have so far halted pay rises to absorb automatic enrolment costs.

"There will probably be a rearrangement of remuneration packages," says Curry. "It may not be explicit, but employers will have to find the money from somewhere, whether that's higher prices, lower profits, or changes in wages. It is

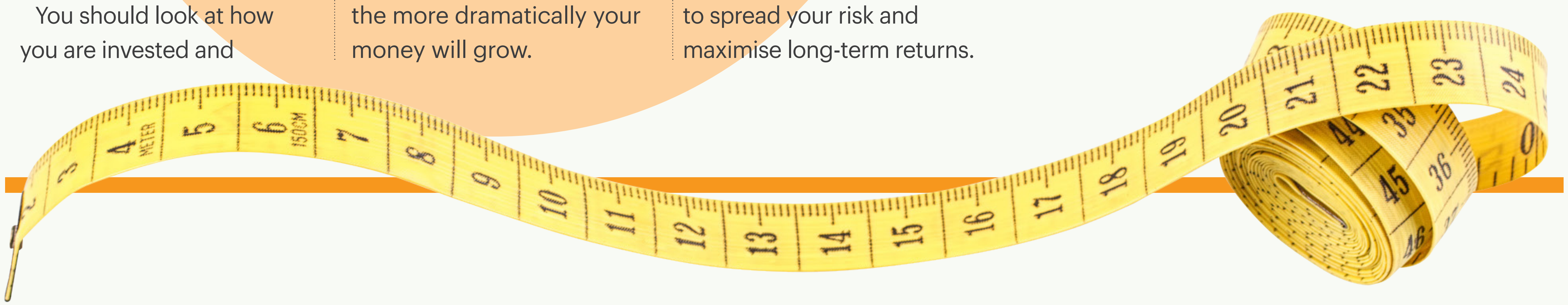
MANAGING YOUR WORKPLACE PENSION

If you have been auto-enrolled into NEST (National Employment Savings Trust) through your workplace, you should make sure the investment selection you have been given is suitable for your needs. NEST automatically puts savers into its Pensions Retirement Date fund, which matches your state pension age, but this has been criticised for being too conservative with risk for younger investors who have time to ride out the ups and downs in the market.

You should look at how you are invested and consider one of NEST's other options such as the more adventurous Higher Risk fund for a better risk/reward balance in the long term. It also has an Ethical fund, a Sharia fund, or a Lower Growth fund if you want to be more cautious.

You are also free to increase your contributions to NEST from the minimum level if you can afford to, and this is usually a wise move as the power of compounding interest means the more you can save earlier on, the more dramatically your money will grow.

With NEST, you benefit from free contributions from your employer, so it's probably a good idea to stay in the the scheme to take advantage of this. But if you'd also like to save elsewhere, you can pay into other pension products too, such as the Lifetime ISA or a Self Invested Personal Pension (SIPP). With the regular savings habit auto-enrolment cultivates, you could increase the value of your retirement fund however you wish, using different investment strategies to spread your risk and maximise long-term returns.



one way they will ensure the cost of contributions can be met."

Meanwhile, government tinkering with the pensions system could have a negative impact. The PPI estimates that removing the triple lock on the state pension, for example, could reduce the retirement income of a 22-year-old low earner by 5 per cent.

McPhail also wants to see the system changed so that workers can take their pension pots with them when they get a new job, reducing the number of dormant pensions as well as administration charges for the industry. "A huge flaw in the system that the DWP is studiously ignoring is small-pot proliferation – there will be 50 million orphan pension pots by mid-century. That's crazy," he says.

From the PPI's perspective, one of the most important effects of auto-enrolment has been the behavioural shift it has set in motion. "The real long-term benefit of auto-enrolment is changing the mindset around pension saving, especially through the workplace. One of the things often talked about is social norming, so trying to make pension saving a thing which people do without thinking about it so it becomes widely accepted practice," says Curry.

The scheme alone may not be enough to avert a future pension savings gap, with the industry saying contributions of 12 to 15 per cent of salary from the age of 22 are needed to build a decent retirement fund. However, auto-enrolment seems to be giving people the push they need to take that first step. ●

"A huge flaw in the system that the DWP is studiously ignoring is small-pot proliferation – there will be 50 million orphan pension pots by mid-century. That's crazy"

A Junior SIPP could help you give your child's pension an early leg-up. But, asks **Anthony Luzio,** is it wise to deprive them of what could be their largest asset for up to 55 years?

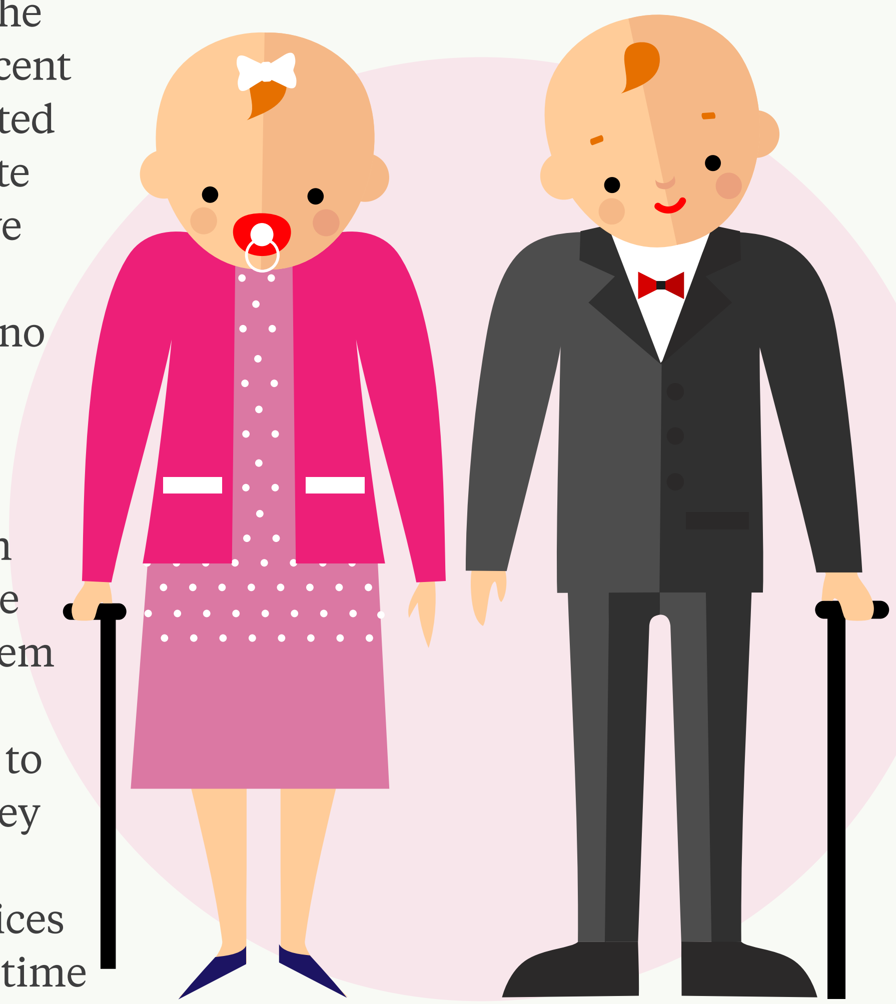
Old before their time

That people aren't saving enough for retirement is hardly ground-breaking news. Yet the figures never cease to amaze. The Financial Lives survey, a recent study of 13,000 people from the Financial Conduct Authority (FCA), found the state pension is the main source of income for 44 per cent of retirees in the UK. It also indicated 31 per cent of adults have no private pension provision, 57 per cent have no cash savings or savings of less than £5,000, and 71 per cent have no investments at all.

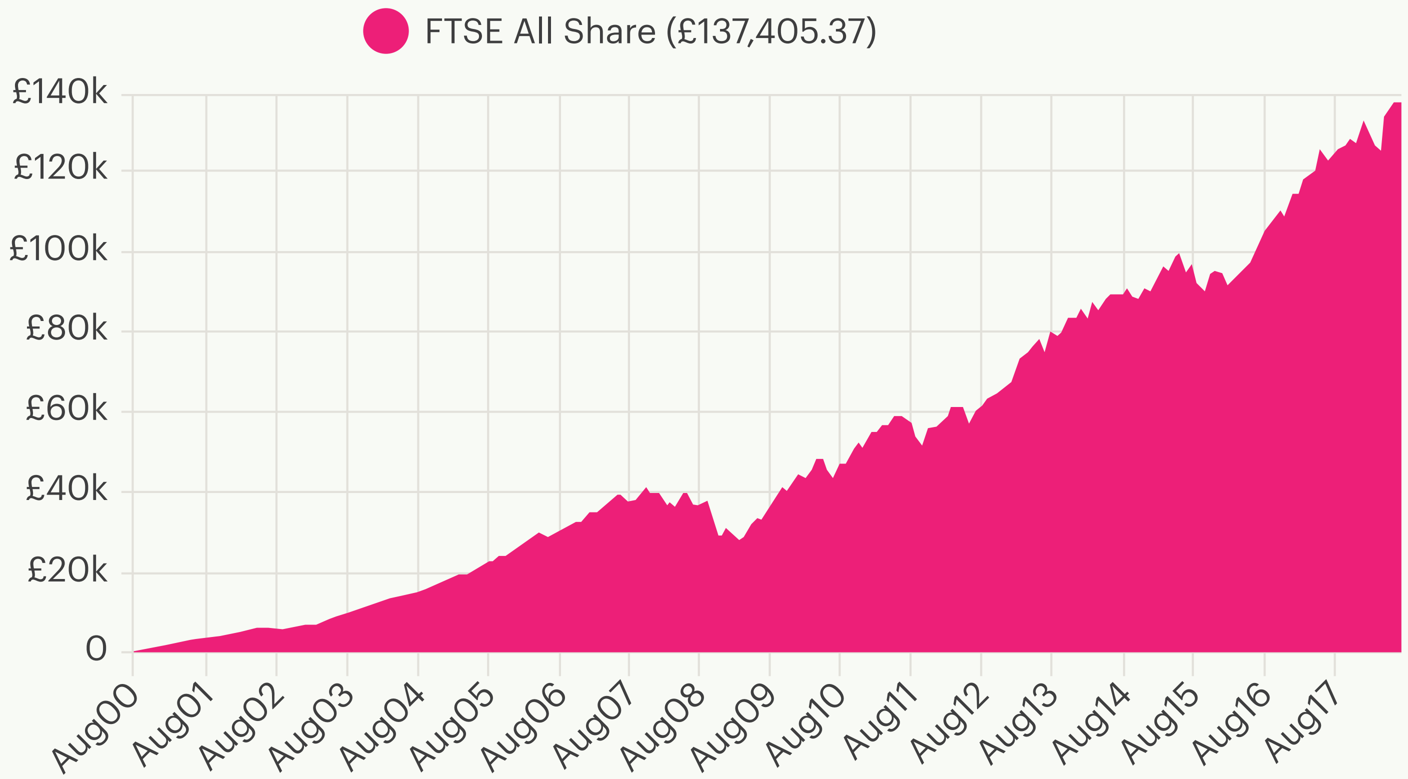
While people who start their working lives today will be auto-enrolled into a workplace pension scheme, the evidence suggests the amount of money that most of them are putting away and the level of risk they are taking on is unlikely to be enough to fund the lifestyle they expect to follow in retirement.

And, with the boom in house prices pushing the average age of a first-time buyer in the UK up to 30, many are

The Financial Conduct Authority (FCA) found that the state pension is the main source of income for 44 per cent of retirees in the UK



EFFECT OF INVESTING JUNIOR SIPP ALLOWANCE IN FTSE ALL SHARE OVER 18YRS



Source: FE Analytics

While you may be reasonably investment savvy yourself, there is no guarantee that your children will take a similar interest in their long-term finances

likely to prioritise saving for a deposit over their pension.

While you may be reasonably investment savvy yourself, there is no guarantee that your children will take a similar interest in their long-term finances. If you are concerned that they may not realise the importance of saving for a pension until it is too late, you could give them a helping hand through opening a Junior Self-Invested Personal Pension, or SIPP.

A Junior SIPP is the same as a normal SIPP, with the only difference being the parent or legal guardian decides where to invest the money until the child is 18.

You can put up to £2,880 a year into the Junior SIPP, and the Government will add tax relief at 20 per cent to make this up to £3,600. Anyone can put money in the account. Like a normal SIPP, the account holder cannot access the money until they turn 55 (rising to 57 in 2028).

It is easy to understand the benefits of starting so early. Data from FE Analytics shows that £3,600, split into 12 monthly instalments of £300, and drip-fed into the FTSE All-Share over the past 18 years would have grown to a pot of £137,405. This would then have another 37 years to compound before the child could touch it.

Real life

Chris Spear, managing director at Spear Financial, says that while the Junior SIPP is a good idea in principle, in reality a product that prevents your child from accessing such a huge amount of money for most of their life is not suitable for the vast majority of the population.

"For me, it comes down to real life planning," he explains. "What I was brought up with when I was training was the idea of perfect planning, which is 'this is what you will do because this will be the outcome'. But it always used to get messed up by real life: 'I need to get hold of my money, I lost my job, I am getting divorced'. Whatever your plans are, real life always gets in the way. So I am very mindful that sometimes it might not be the perfect solution."

As a result, Spear thinks these products are only suitable for the very wealthy.

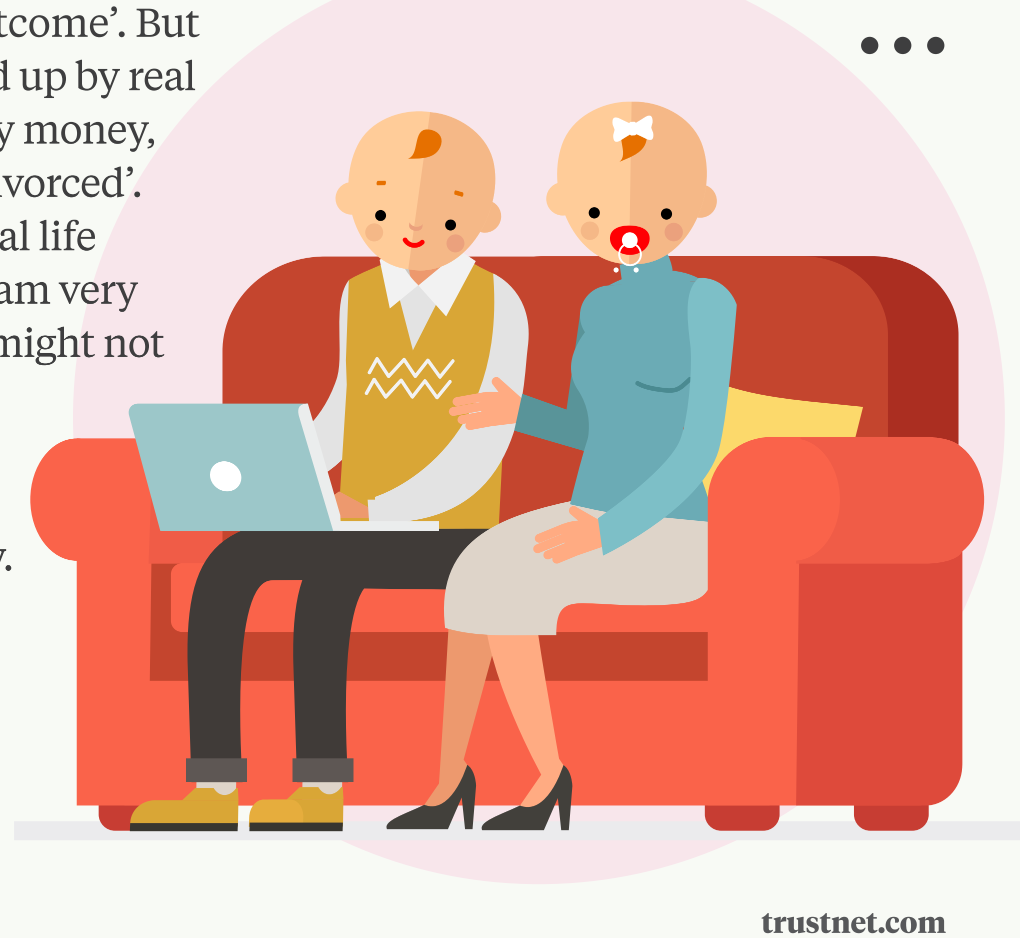
"Obviously, pensions are free of inheritance tax," he adds. "And one of the inheritance tax exemptions is making regular gifts out of surplus income. So it's the perfect solution for a grandparent who wants to give to their grandchildren, but doesn't trust them with the money at the age of 18."

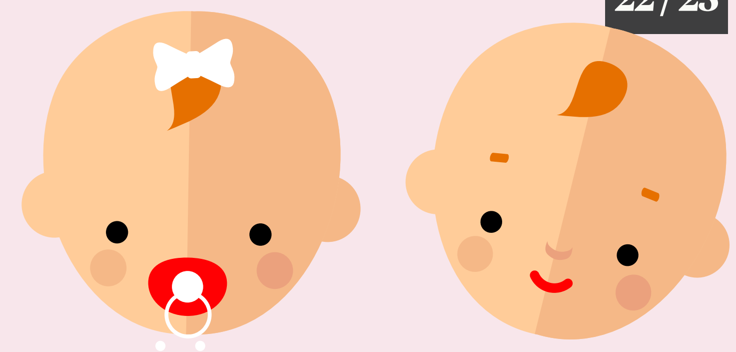
"This is one of the advantages over the Junior ISA, which says little Harry can get hold of his money when he is 18 and blow it on wild parties and everything. So the pension has always been a good alternative route."

Moving the goalposts

Chris Wise, director of Whinchat Financial Planning, says another potential issue with Junior SIPPs is the Government's record of "moving the goalposts" with pensions.

"What we have seen with pension legislation over the years is that it can be tweaked: on tax relief, lifetime allowances and annual





allowances," he adds. "Ultimately, who is to say the tweaks won't be on the tax-free cash?"

"If you are starting a pension now for a child aged 10 who has 47 years before they can access the money, in 20 years they might be saying, 'I don't know if I would have got a pension if I'd known about these changes'. But largely the changes have never been retrospective, so hopefully you can still plan for future years."

The good thing about investing for such a lengthy period is it allows the account holder to take risk. For Spear and Wise, this means going fully into equities. Wise says it is important to use a global strategy rather than one that focuses on the UK.

"This can be passive or active – it depends on the client," he adds. "Whether it gets lifestyled as they reach a certain age is another chat you should have with them."

Spear says something like Baillie Gifford Managed would also work.

The good thing about investing for such a lengthy period of time is that it should allow the account holder to feel more comfortable taking risk

"It is not particularly high-risk, but it is one of those funds that has done well and that you can walk away from. You don't need to change to the Far East or to Mexico or wherever, it does the changes for you. It is just over 0.4 per cent a year."

Side effects

There is another benefit of opening a Junior SIPP for your child, even if you don't throw enormous amounts of money at it. By giving them a pot of money that has been growing for 18 years, they can see for themselves the power of compounding – hopefully encouraging them to begin investing sooner, whether this is to top up their pension or for other purposes.

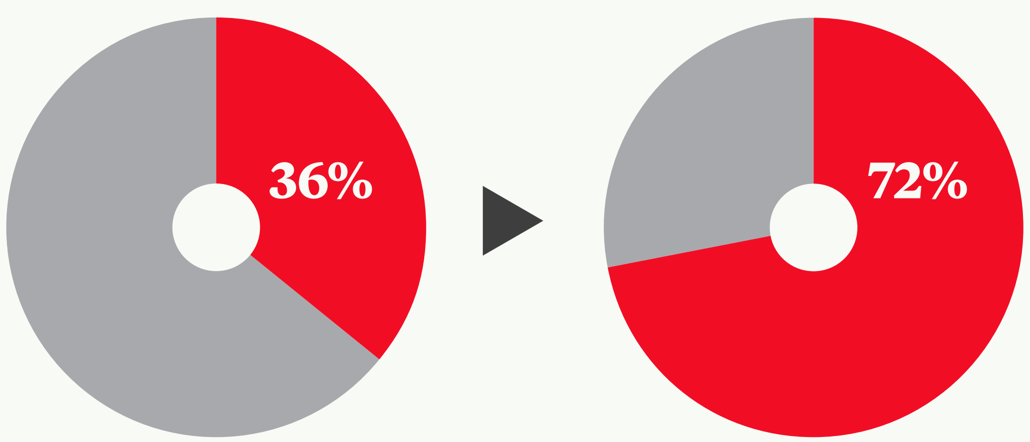
Your child may not appreciate an education in financial markets as much as a £140k cheque on their 18th birthday, but judging by the number of young sport stars and lottery winners who have squandered their fortune within a few years of making it, it could be one of the best gifts you can give them at this age. If nothing else, it should help fulfil one of your most important responsibilities as a parent: helping your child stand on their own two feet. •

Crunching the biggest trends down into figures

The impact of automatic enrolment on future generations

Millennials make up around **40%** of the **target population** for automatic enrolment

Participation in workplace pensions has doubled for **22-29 year olds** due to the introduction of automatic enrolment



If the **triple lock** remains up to the retirement of millennials, it will have a larger proportional impact on lower earners. Removing the triple lock could reduce retirement income by **5%**

A median earning male aged 22 in 2017 who saves at 8% contributions would have a pension fund **27% higher** than his fund under the AE minimum

Removing the lower earnings limit and automatically enroling at age 18 means a median earner could achieve a pension pot of **£146,200**, **32% higher** than under the current policy

A high-earning female earning at the 90th percentile and aged 27 in 2017 would have a median pot of **£158,100** under the AE minimum. If she contributes 16% to her pension, her median pot would be **£426,200**

Source: The Pensions Policy Institute, sponsored by Standard Life

Douglas Brodie's fund has among the highest volatility and maximum drawdown figures in the sector, yet has made a positive return in more months than any of its peers

Baillie Gifford Global Discovery

While the best time to buy into a market is often after a correction, there is no guarantee that it will rebound and there is every chance it may fall further after it has arrested its initial slide. It is a similar story with funds. And while you obviously cannot count on a repeat of past performance, you may feel more comfortable buying into a fund after it has dipped if it has an exemplary record of delivering consistent returns.

Baillie Gifford Global Discovery, managed by FE Alpha Manager Douglas Brodie, is a fund that fits this bill. On the surface, it does not appear to be one for the fainthearted – its volatility score and maximum drawdown are among the highest in the IA Global sector.

Dig a little deeper, however, and a different story emerges. While when the fund falls, it falls a lot, it doesn't fall very often. It has experienced the fewest number of negative months of any fund in its sector over the past decade, at 35 of 120.

Since Brodie took charge in 2011, returns have been impressive as well as consistent, with the fund up 232.59 per cent. This is more than double the gains of its peer group and puts it fourth in the sector during this time.

It is worth noting Brodie changed the focus of the fund from European smaller companies to global ones when he took charge. However, the manager has nearly a decade's experience of investing in the lower reaches of the market. Over this time he has developed a strategy which aims to identify companies with superior long-term growth potential, favouring strong management and innovative products, which can generate sustainable profits to fund future growth opportunities.

Brodie is not constrained by a benchmark and will take a long-term view – as a result, there is low turnover in the fund's portfolio of around 100 holdings.

The fund appears on the FE Invest Approved List, with analysts agreeing it should be viewed as part of a portfolio rather than a sole investment.

"Although in isolation the fund is high risk, it could be well suited as an addition to an already diverse global equity allocation that is lacking smaller company exposure," said the FE Invest team. "For this fund to be held effectively, investors must be willing to tolerate the periods when the growth style of investing – or equities in general – is out of favour and potentially suffering heavy losses."

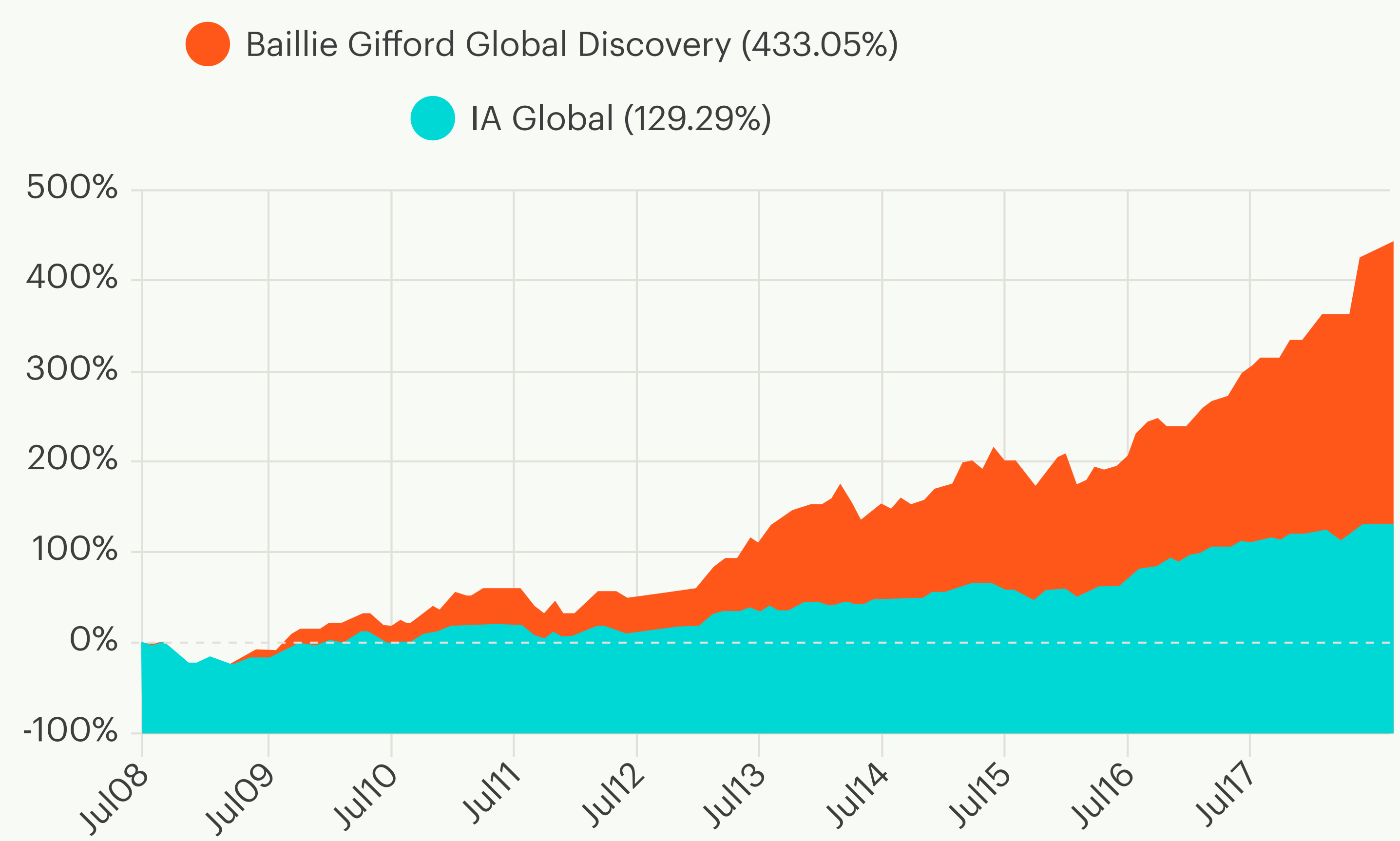
Baillie Gifford Global Discovery is also in the AFI Aggressive portfolio. ●

FACT BOX

MANAGER: **Douglas Brodie** / LAUNCHED: **29/10/1993** / FUND SIZE: **£558.36m** / OCF: **0.79%**

FE CROWN RATING

PERFORMANCE OF FUND VS SECTOR OVER 10YRS



Source: FE Analytics

This trust has made the highest returns in its sector over one, three, five and 10 years – but this performance comes at a hefty price

3i Infrastructure

One topic of debate among investors at the moment is whether fixed income is too correlated to equities to provide sufficient portfolio protection in the event of a crash.

As a result, many income investors are turning towards alternative asset classes instead, with infrastructure one of the beneficiaries – the IT sector's assets under management have close to trebled over the past five years. It has struggled more recently though and while Winterflood said the impact of Carillion's high-profile collapse may have been overplayed, it warned the Labour Party Conference last September may have been an inflection point, with the future for public private partnerships looking lukewarm at best.

However, one trust that has continued to flourish is 3i Infrastructure, which is the best performer in the IT Infrastructure sector over one, three, five and 10 years. Kieran Drake, research analyst at Winterflood, said it delivered an "exceptional set of results" in the 12-month period to the end of 31 March, but noted its NAV return of 28.6 per cent over this time was boosted by the sale of Elenia and Anglian Water, from which it was estimated to have generated gross proceeds of more than £1.1bn.

These strong results have led the trust to trade on a premium of 7.4 per cent, yet Drake's colleague Simon Elliott continues to back 3i Infrastructure – indeed, it is the only trust trading above NAV that he currently recommends.

"The management team at 3i has a strong record and we expect there to be further successes in the portfolio in the future," he said. "We note the trust's shares have been re-rated recently and trade on a premium, although this remains below the historical average. We believe the portfolio's mix of defensive stable income with potential for capital growth makes the fund an attractive option in the sector."

3i Infrastructure is a long-term holder of assets with no fixed horizon for the sale of investments. However, an investment may be sold if it will maximise value for shareholders.

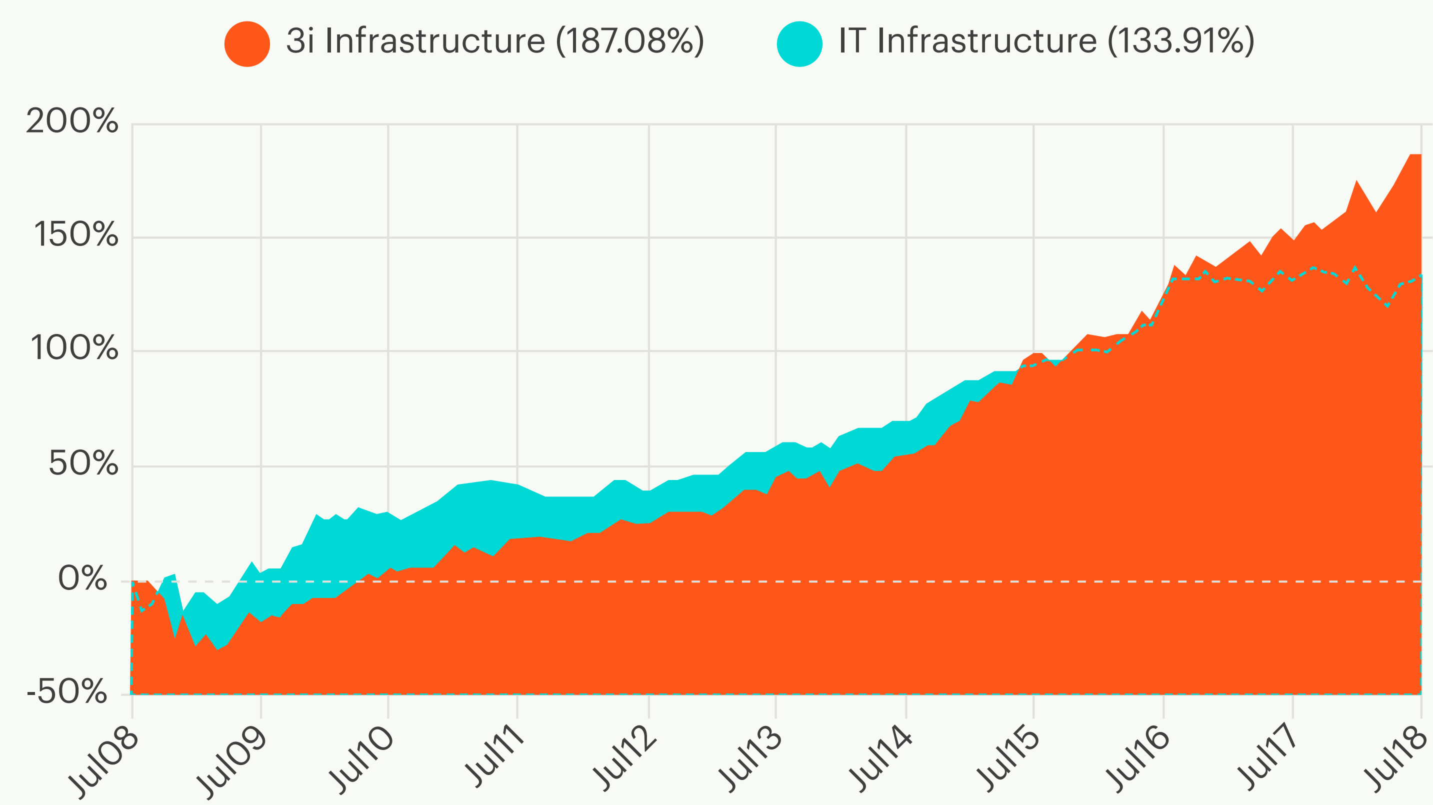
The trust's strong performance comes at a price – there is a performance fee of 20 per cent growth in NAV above a hurdle of 8 per cent. As a result, ongoing charges for last year moved from 2.06 to 7.18 per cent.●

FACT BOX

MANAGER: **Team-based management** / LAUNCHED: **08/03/2007** / PREMIUM/DISCOUNT: **+7.4%** / OCF: **2.06% (plus performance fees)**

FE CROWN RATING

PERFORMANCE OF TRUST VS SECTOR OVER 10YRS



Source: FE Analytics

This fund may not keep up with its US peers when it comes to growth, but could offer one solution to the problem of dividend concentration

Middlefield Canadian Income

Few investors will have failed to notice the US market's spectacular performance since the financial crisis, but its neighbour in the "great white north" is often overlooked. And, while Canada has not been able to compete with the US in terms of growth, it is a different story when it comes to income.

The Middlefield Canadian Income trust, for example, has made 89.36 per cent since launch in 2006 compared with 214.07 per cent from the more US-focused IT North America sector. However, its yield of 5.19 per cent compares favourably with the 2.4 per cent of its average peer and outpaces many trusts in more traditional income sectors such as IT UK Equity Income and IT Global Equity Income.

Managers Rob Lauzon and Dean Orrico describe their style as both top-down and bottom-up: they take macroeconomic conditions and stock valuations into consideration.

"The Canadian market is trading roughly in-line with its long-term average but at a discount to the US market," said Lauzon.

While the Canadian economy has grown solidly in recent years, concerns have been raised over the North American Free Trade Agreement (NAFTA) and US president Donald Trump's protectionist policies.

However, the managers noted the US has a trade surplus with Canada rather than a deficit, adding that any adverse impact on the economy from a new deal would be relatively modest.

The trust comprises 40 to 45 stocks, with its top-10 holdings making up 40.9 per cent of assets.

Its top holding, Enbridge, is one of the largest oil & gas pipeline companies in the world, transporting around 20 per cent of North America's natural gas and 33 per cent of its oil. While many investors associate Canada with its substantial energy reserves and natural resources, the managers note the trust has a diversified portfolio of stocks.

Financials make up the largest sector allocation at 18.3 per cent of the portfolio, while real estate represents a further 17.9 per cent. Other significant sector allocations include pipelines, energy and industrials.

Investors should note that the trust is highly geared at around 18.6 per cent, close to its 25 per cent limit.

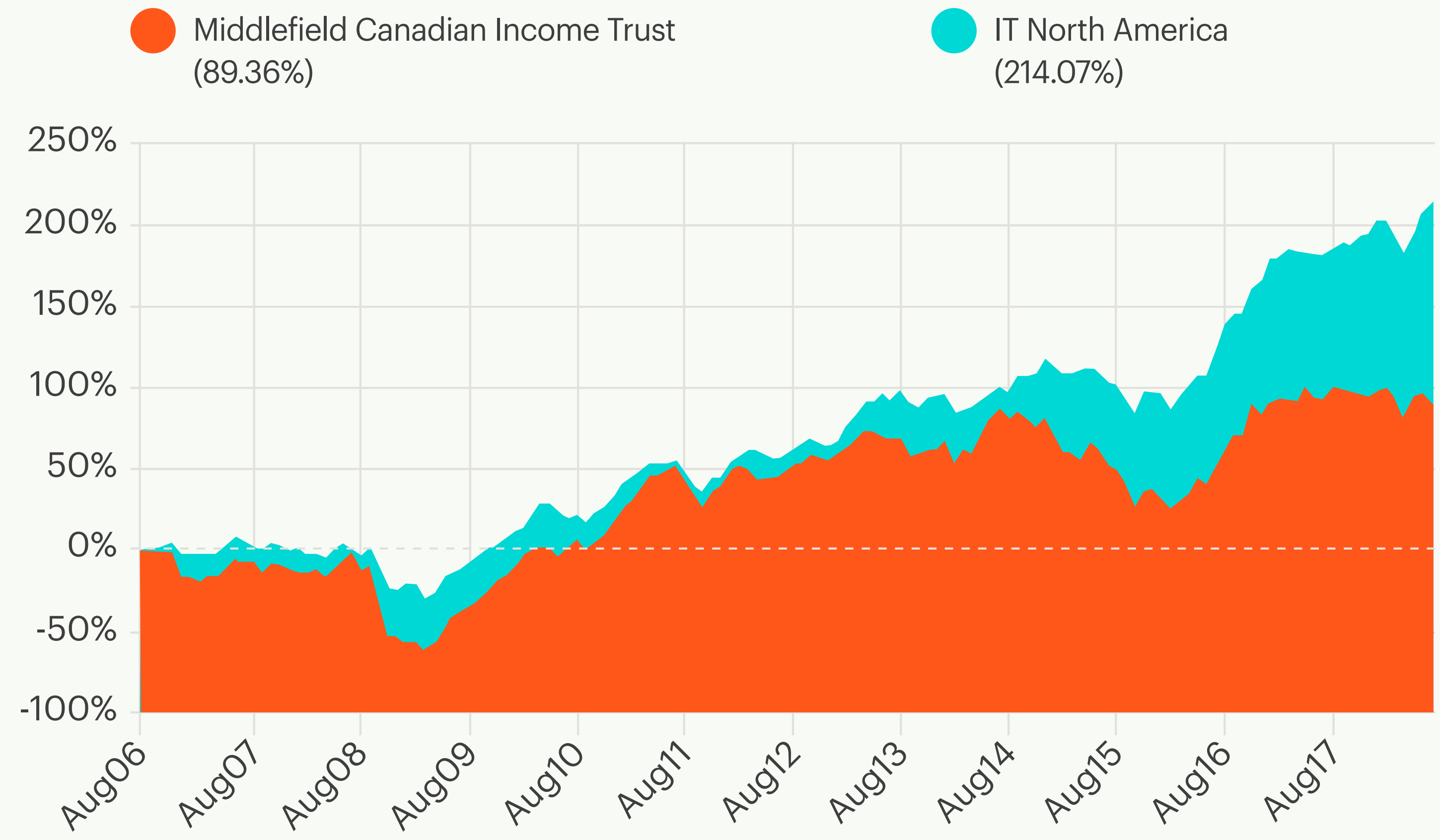
Middlefield Canadian Income is currently on a discount of 13.72 per cent, compared with 11.10 and 11.68 per cent from its one- and three-year averages. ●

FACT BOX

MANAGERS: **Dean Orrico & Rob Lauzon** / LAUNCHED: **06/07/2006** / PREMIUM/DISCOUNT: **-13.72%** / OCF: **1.24%**

FE CROWN RATING

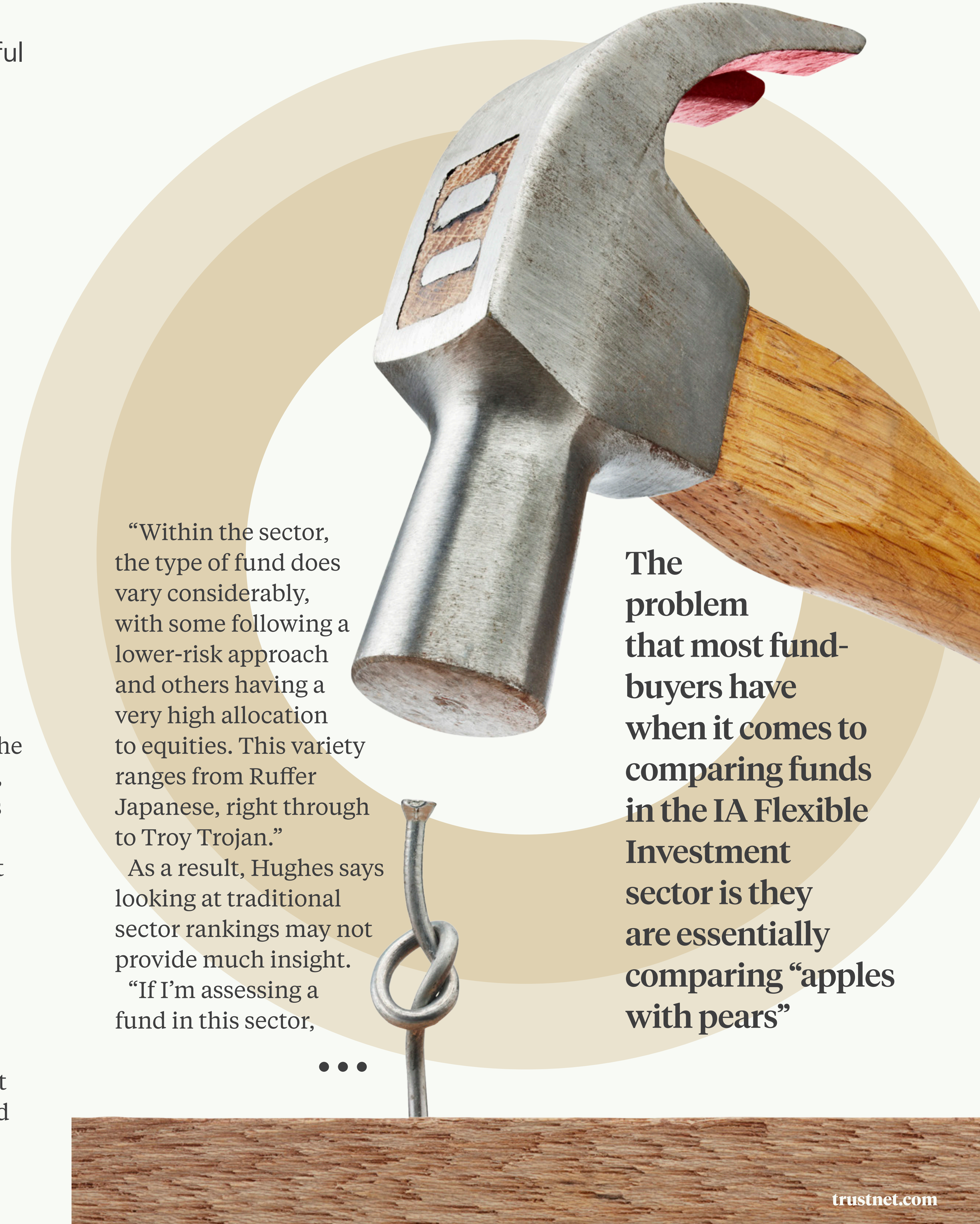
PERFORMANCE OF TRUST VS SECTOR SINCE LAUNCH



Source: FE Analytics

While the wide remit afforded to IA Flexible Investment funds gives them the freedom to invest where they want, it also makes meaningful comparisons impossible, writes **Adam Lewis**

Flexible or weak?



Labelled the "go anywhere" multi-asset sector, IA Flexible Investment houses 155 funds and has assets under management of £29bn.

Created after the IA and ABI sought to harmonise their respective sector classifications back in 2012, funds that sit under the IA Flexible Investment banner are expected to incorporate a range of different assets, but there are no minimum equity, fixed income, cash or currency requirements.

Indeed, at the manager's discretion, funds can opt to have 100 per cent invested in equities, which separates the sector from its three other multi-asset peers (IA Mixed Investment 0-35% Shares, 20-60% Shares and 40-85% Shares).

Apples and pears

While the IA does not classify the £79.5bn Targeted Absolute Return sector as a multi-asset group – instead placing it in the "funds that target an outcome" category alongside Volatility Managed – commentators widely regard it as the fourth multi-asset sector. However, the problem that most fund-buyers have when it comes to comparing funds in the IA Flexible Investment sector is they are essentially comparing "apples with pears".

"The IA Flexible Investment sector is a slightly strange one in that it encompasses a relatively wide variety of strategies that predominantly follow a multi-asset approach," says Ryan Hughes, head of active portfolios at AJ Bell.

"Within the sector, the type of fund does vary considerably, with some following a lower-risk approach and others having a very high allocation to equities. This variety ranges from Ruffer Japanese, right through to Troy Trojan."

As a result, Hughes says looking at traditional sector rankings may not provide much insight.

"If I'm assessing a fund in this sector,

...

The problem that most fund-buyers have when it comes to comparing funds in the IA Flexible Investment sector is they are essentially comparing "apples with pears"

PERFORMANCE OF SECTORS

Name	1yr (%)	3yr (%)	5yr (%)	10yr (%)
IA Flexible Investment	5.04	25.38	44.66	80.24
IA Mixed Investment 0-35% Shares	1.34	12.58	21.96	52.69
IA Mixed Investment 20-60% Shares	2.44	16.73	30.87	62.77
IA Mixed Investment 40-85% Shares	4.85	24.08	43.36	84.55
IA Targeted Absolute Return	0.62	4.74	12.79	29.24

Source: FE Analytics

"The IA Flexible Investment sector is probably one of the most frustrating sectors because it is a catchall for funds that don't fit into other sectors"

I very often have to use an alternative peer group to assess performance against, or use a custom benchmark of suitable peers from IA Targeted Absolute Return, Volatility Managed or the other multi-asset sectors," he explains.

Redeeming features

While making comparisons between individual funds may be a redundant exercise, it is interesting to note the sector has beaten its nearest equivalents over one, three and five years.

The performance differential is most pronounced against IA Targeted Absolute Return, whose returns of 12.79 per cent over five years are 31.87 percentage points behind those of IA Flexible Investment.

"The IA Flexible Investment sector is probably one of the most frustrating sectors because it is a catchall for funds that don't fit into other sectors," says Ben Yearsley, a director at Shore Financial Planning. "On that basis, comparing funds versus peers is often pointless as the remits could be very different, unlike for example the IA UK Equity Income sector, where you pretty much know what you are getting. In IA Flexible Investment, you get multi-asset, multi-manager and funds of funds, all in one place."

"However, I dislike the IA Targeted Absolute Return sector more, as few if any of the funds have delivered. The Flexible sector does not set itself out in the same way and therefore does not let investors down in the same way."

> "It remains our opinion that just because a portfolio or fund is deemed to be high-risk, that risk should remain an outcome rather than the aim of the portfolio"

For better or worse

Maybe because it houses such a disparate collection of funds, Chris Rush, a senior investment analyst at IBOSS, notes that IA Flexible Investment contains the widest range of returns and volatility among the multi-asset sectors.

The annualised difference between the best- and worst-performing funds comes in at 12.89 percentage points over five years, while the difference in volatility is 9.68 points.

"Considering the relatively loose definition of the IA Flexible sector, it is perhaps unsurprising its funds are as wide ranging as they are," says Rush. "However, we would argue that the Flexible sector is no worse, or any better, than the other IA multi-asset sectors."

In it together

However, despite the performance differential, Rush notes the funds in the sector have the joint highest correlation, at 0.81, of the multi-asset sectors over the past five years. This is compared with 0.23 from IA Targeted Absolute Return. However, Rush says it is worth noting that these correlations only capture direction, and not the magnitude, of relative moves.

"Just because a portfolio or fund is deemed to be high-risk, that risk should remain an outcome rather than the aim of the portfolio," he adds. "As such, we expect a range of styles and results from funds in the IA Flexible Investment sector, and we would argue that it is a fair call

CORRELATION OF FUNDS IN SECTORS OVER 5YRS

IA Flexible Investment	0.81
IA Mixed Investment 0-35% Shares	0.81
IA Mixed Investment 20-60% Shares	0.84
IA Mixed Investment 40-85% Shares	0.87
IA Targeted Absolute Return	0.23

Source: IBOSS

With such a variety of strategies on offer in the Flexible sector, there is something for many investors to look at, but for this very reason he notes it is a peer group that is often overlooked

• • •

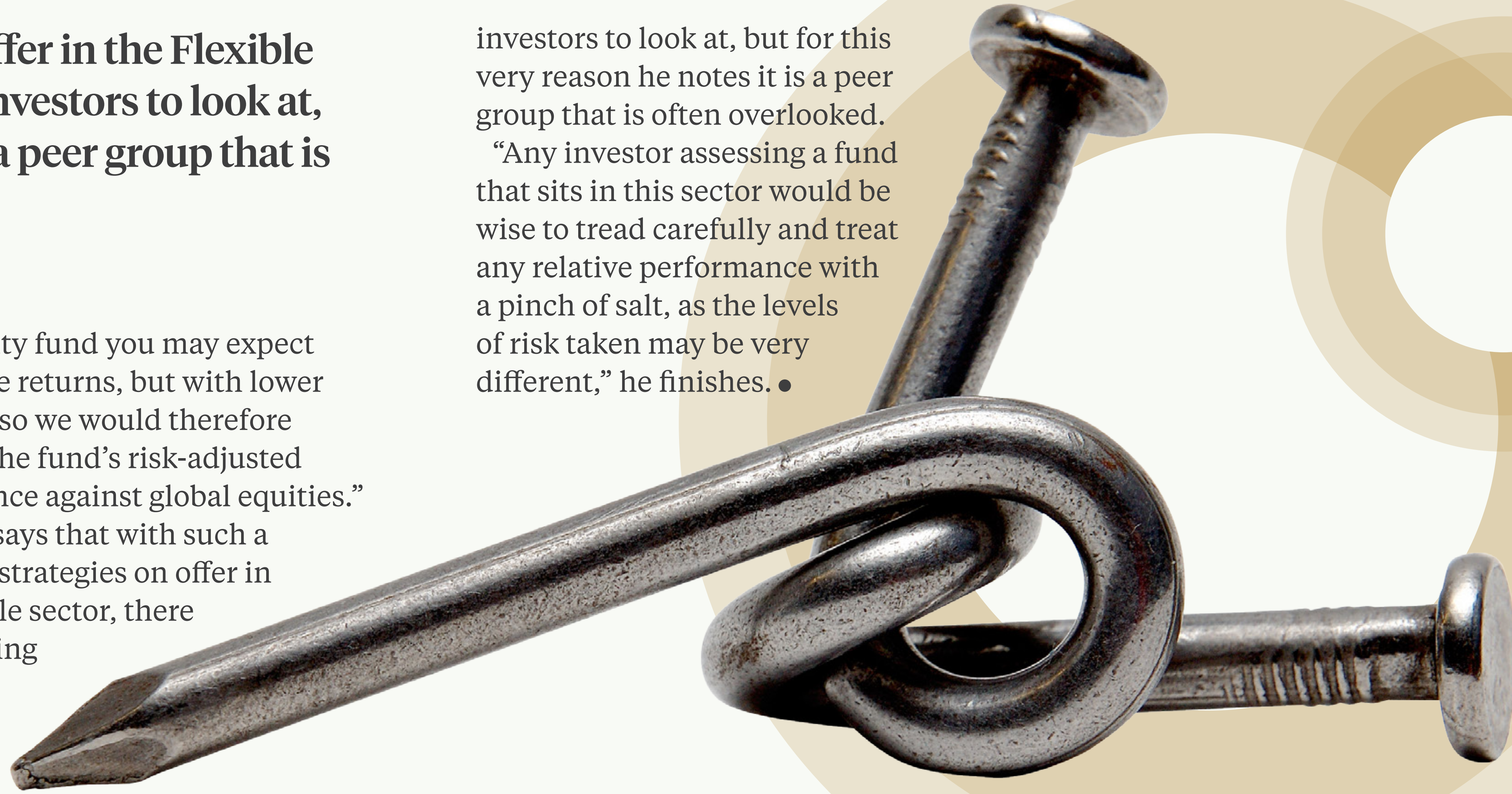
to measure the performance of the sector's underlying funds against the sector itself."

For Rush, the same cannot be said of IA Targeted Absolute Return. "In our opinion, it is prudent when analysing an absolute return fund to find out exactly what you are buying and then measure the fund against other more applicable sectors," he says.

"So if you are buying a global long/short equity fund you may expect equity-like returns, but with lower volatility, so we would therefore measure the fund's risk-adjusted performance against global equities."

Hughes says that with such a variety of strategies on offer in the Flexible sector, there is something for many investors to look at, but for this very reason he notes it is a peer group that is often overlooked.

"Any investor assessing a fund that sits in this sector would be wise to tread carefully and treat any relative performance with a pinch of salt, as the levels of risk taken may be very different," he finishes. ●



The cautious choice: Troy Trojan

Hughes describes this fund as an "excellent, long-term holding for more cautious investors who are looking to limit their volatility, but want to grow their capital over the long-term". The fund, run by FE Alpha Manager Sebastian Lyon, has a heavy focus on capital preservation and has made a positive return in nine of the past 10 calendar years.

While the fund has soft-closed to new money, Lyon says this was not because of capacity constraints, but because taking on more clients would make it difficult to give them all the same level of attention they have received in the past. The fund is still available on many retail platforms. Troy Trojan has made 93.28 per cent over the past decade, compared with 80.24 per cent from the sector.

The "go anywhere" fund: Artemis Strategic Assets

While Yearsley is a fan of both Troy Trojan and Artemis Strategic Assets, he says the fact two wildly different funds sit in the same sector demonstrates the problem with IA Flexible Investment. "Artemis Strategic Assets is more of a 'go anywhere' hedge fund, with equities, bonds, currencies, commodities and shorting all being permissible investments. Whereas Troy Trojan is more of a multi-asset fund with equities, bonds and now some gold, it has no ability to short. Maybe the one thing that both of the funds have in common is a willingness to have one eye on the downside." The £740m fund, run by William Littlewood, has made 99.45 per cent since launch in May 2009, compared with 115.08 per cent from the sector.

Something completely different: Unicorn Mastertrust

The Unicorn Mastertrust is a fund of trusts that aims to play to the structural strength of investment companies by taking a long-term view and investing in less liquid assets. FE Alpha Manager Peter Walls says there are two areas in particular that have allowed him to generate alpha – small caps and private equity. Unicorn Mastertrust also holds some multi-manager trusts, which has led to questions about why anyone would want to pay a triple layer of fees – and an OCF of 2.13 per cent seems excessive. However, it doesn't seem to have detracted from performance – the fund has made the highest returns in its sector over the past decade with gains of 174.24 per cent.

AltRetire's **John Blowers** attempts to solve some of the biggest problems you are likely to face in retirement

Age-old problems

If, like me, you have ever wondered why the new pension freedoms were rushed out in 2014, here's a little insight.

The strong suspicion in the financial services industry is that the government was shocked into urgent action by one key statistic: longevity.

Over the past few decades, we have seen an unprecedented period of peace, increasing wealth and major advances in medicine and healthcare, which together have resulted in ever-lengthening lifespans.

This is obviously great news, but every silver lining has a cloud. Longer lifespans have placed a greater burden on two key areas of government expenditure – pensions and the NHS.

In 2017, the government spent £124.7bn on the NHS and £94bn on state pensions, almost 30 per cent of the UK budget.

If the UK had carried on with its laissez-faire attitude to pensions, it would have quickly found one in four people over the age of 65 had made inadequate provision for their retirement and would be leaning longer and harder on the state.

Something had to be done and fast. The Government's automatic enrolment scheme, pioneered by NEST in 2008, made contributing to a workplace pension mandatory and although minimum contributions are still small, it has put millions of UK workers on the right path for retirement.

It is unlikely the state pension can remain at its current level. At some point, the number of people claiming this benefit will render unsustainable the triple lock that keeps it growing

It is unlikely the state pension can remain at its current level. At some point, the number of people claiming this benefit will render unsustainable the triple lock that keeps it growing. If you're planning to rely on the state pension, I'd think again.

So, let's get on with the subject. We're looking at how newly retired people in the UK can navigate the retirement waters, as many of the old rules no longer apply. If you have a defined benefit or final salary pension, you can stand down. But if you have a defined contribution scheme, there are one or two considerations you will need to take into account.

First, let's assume you have been sensible and have saved £500,000 over your working life and today is retirement day. Yes! You've done it! Life is going to be problem-free from here!

But hold on a minute. Life is all about navigating choppy waters and just because you have retired, it doesn't mean there aren't some rogue waves about.

Let's spend a couple of paragraphs on some of the biggest threats to your financial happiness post-retirement and some measures that you can take if you have yet to retire.

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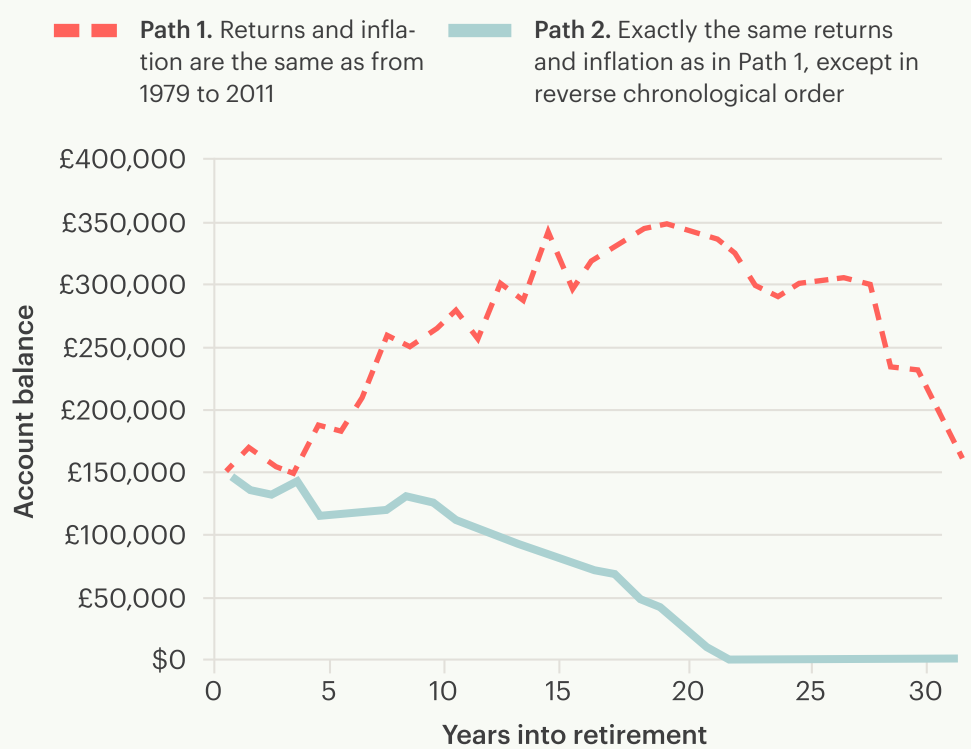
Sequencing risk

What is it?
Sequencing risk is what the stock market does to your portfolio if you remain invested beyond retirement. Imagine there's a crash the day after you retire. You see a 30 per cent fall in your investments, yet you need to start drawing this money down: you will have less in the pot to recover over the next growth phase. Conversely, you could see a bull market post-retirement, with your portfolio continuing to expand, meaning you have no such problems.

The chart on the right shows the same start point, but the red portfolio has good markets early in retirement and poor markets at the end. The blue portfolio has the same conditions but in reverse.

What can I do about it?
No one can predict what markets will do when you retire, but you can mitigate the risk of having to draw down investments following a crash. History shows crashes often recover quickly, so the key is to leave your investments untouched in a down market, drawing down your living expenses from elsewhere. I suggest keeping three to four years of cash to dip into if the market is poor, giving your investments time to recover. You have greater life expectancy to ride out market bumps, so you can take a longer-term view.

IMPACT OF SEQUENCING RISK ON PORTFOLIOS IN DRAWDOWN



Source: Challenger.com.au

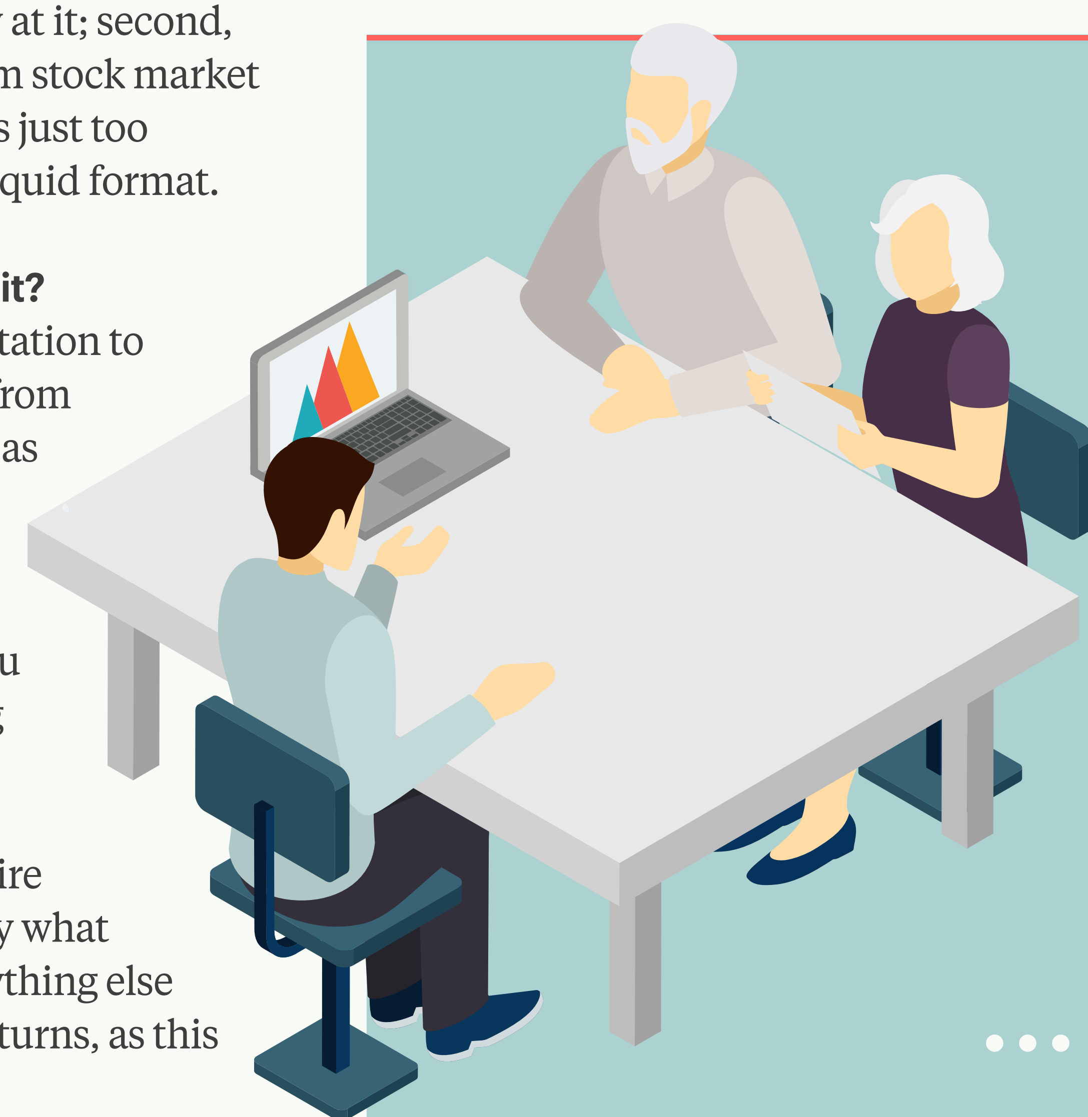
Cashing in your pension

What is it?
Two in five Brits are taking their investments at retirement (or even earlier) and putting them into cash. If you've got squillions of pounds then I have no real problem with this strategy (although your kids may see less of an inheritance), but if you have to eke out an income until you're 90 or older, going into cash is nigh on suicidal.

Cash suffers from three big problems: first, it falls in value in real terms as inflation gnaws away at it; second, it doesn't benefit from stock market growth; and third, it's just too "spendable" in this liquid format.

> **You should do everything possible to refrain from encashing your pension until you retire and then harvest only what you need**

What can I do about it?
There is a great temptation to spend your pension from the age of 55, as soon as you can access it. There will always be something to buy or pay off, but you should do everything possible to refrain from encashing your pension until you retire and then harvest only what you need. Keep everything else exposed to market returns, as this should make your money last for longer. Remember, time is your friend and foe. A longer life requires more money, but gives you more time for your portfolio to grow.



Longevity

What is it?
The increase in longevity in the UK is nothing short of remarkable. Existing pensions budgeted for shorter lifespans and many people may have to make the same amount of money last another 10 years. If your partner hasn't made any pension provision, this may exacerbate the dilemma.

What can I do about it?
If you plan for your money to last for 25 years rather than 15, there are very few things you can do. The two aspects you can control are the amount of income you draw down and the amount of risk you take with your pension funds. With a 25-year time horizon (from 65 to 90 years old) there is the opportunity to take more risk than conventional wisdom dictated. Risk is something you can control and by investing in funds with a higher risk profile, you can generate more upside and manage downside risk. Alternatively, you can keep working beyond retirement age.

Poor planning

What is it?
Your retirement won't successfully run on autopilot. Without some light-touch planning, the chances of a positive financial boost to your income are unlikely. Make a plan, but stay flexible to maximise returns. If you can afford it, it is wise to seek the help of an adviser who can share their wisdom and experience with you. Otherwise, research the market and remain willing to plan a sustainable income until your 90s. You will also need to bear in mind the frightening costs of long-term care as you get older.

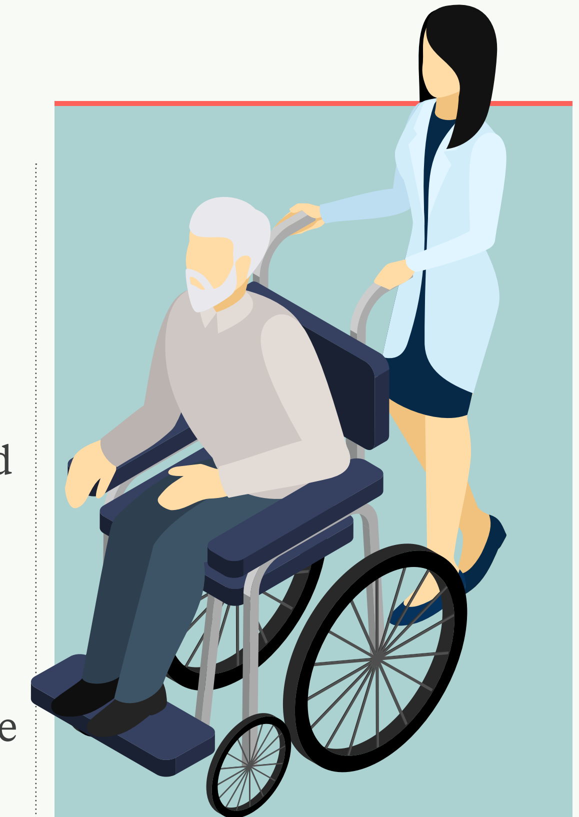
What can I do about it?
Blindly setting up an income drawdown facility that pays you the same amount each month is not useful – try to draw down the money you need and no more. It's like shopping: buy the food you need and eat it, rather than leaving stuff to go mouldy. The money you leave in your pension is then exposed to stock market growth. Use online planners to check your income is sustainable and if you find yourself overspending, cut down. However, don't forget to enjoy yourself, too.

Long-term care

What is it?
There's no easy way to box around the subject, but all of us will get ill and die at some point. Life expectancy has increased dramatically, but healthy life expectancy is a different matter. Sometimes the end is fast (and cheap), but it is becoming more common for long-term illnesses such as dementia and Alzheimer's to cause a slow and expensive decline. One of my friend's parents are both now in care for long-term conditions, which costs more than £7,000 a month.

What can I do about it?
You can take your chances that nothing bad will happen, but when you account for yourself and your partner, the chances of needing to pay for long-term care are significantly greater.

Because of the potential costs involved, there is no easy way to budget comfortably for this eventuality. If you are a homeowner, it is likely you will have to sacrifice your home (and legacy) to pay your way, but



again, it would be useful to discuss this with a good financial adviser. Insurance could help but it is expensive and the NHS is unwilling to assist people who have existing assets.

SUMMARY

While this sounds like a gloomy prognosis for your retirement, these are just the worst-case scenarios. However, you will need to plan properly and think about how you want to live your later years. You may not want a flashy lifestyle and the money you have accrued may be more than sufficient for every eventuality, but be aware that the extra time on this earth we have been granted needs to be funded. With every problem comes a solution and longer life expectancy gives rise to longer investment time horizons, so you can build a plan around taking a little more risk to fund your retirement. ●

While some analysts warn the FAANG stocks are trading on excessive valuations, Blue Whale Capital's **Stephen Yiu** says the market could be underestimating their potential

Plenty of bite

Although the valuations of these tech titans appear high on the surface, we still believe the market is underestimating their future growth prospects

US tech giants have altered the investment landscape in recent years – with Facebook, Google and Amazon at the heart of the disruption. All three companies have seen rapid growth over the last decade as the first two dominate digital advertising and technical product innovation, while the latter has consolidated its position as the go-to platform for online shopping. Although the valuations of these tech titans appear high on the surface, we still believe the market is underestimating their future growth prospects.

AMAZON

Amazon is notorious for its high P/E multiple, yet we believe this is justified. Its valuation is distorted by its high R&D spend, which has established it as a leader in multiple markets, with many significant growth avenues. With the switch to online retail still in its initial stages, Amazon is poised to take significant share of a growing market. It is similarly dominant in cloud services through AWS, while Prime is supporting a loyal, high-margin customer base of 100 million. The acquisition of Whole Foods, the creation and refinement of Amazon Alexa and its investment in digital media all point to future growth.

FACEBOOK

Facebook has 2.2 billion monthly active users, which equates to 30 per cent of the world's population. In its most recent results, it recorded 49 per cent year-on-year growth in advertising sales, suggesting the digital advertising train continues to gather steam. Facebook also has the infrastructure in place to support several revenue levers it has yet to pull, including e-commerce, payments and media streaming, and has yet to monetise core assets, including WhatsApp and Instagram. The business generates significant amounts of free cash-flow and trades at a very reasonable valuation multiple.

GOOGLE

Google's success centres on its leading artificial intelligence, driven by the amount of data it has collected – which would be almost impossible for a new entrant to replicate – and significant investment in R&D. It is the dominant search engine across all platforms, meaning it will remain a structural winner in digital advertising. Google's suite of products is witnessing accelerating growth, including Google Pay, the Google public cloud and driverless technology division Waymo. These developments are underappreciated by the market and are not reflected in its current share price.

Tilney's **Jason Hollands** says this value fund would complement a typical US product skewed towards the usual suspects that dominate the S&P 500

Conventum Lyrical

One of the potential pitfalls of a value approach is that investors can be lured into poor companies that deserve to be on a big discount

As many investors will be aware, US equities have been trading at premium valuations for some time, relative to both long-term trends and other regions. That is partially a reflection of the changing shape of the market, with technology stocks now representing 26 per cent of the S&P 500 index, but it is also due to high levels of corporate share buybacks in recent years.

While the near-term outlook for US equities should remain positive given the health of the economy, over time it is reasonable to expect valuations to revert closer to longer-term trends. It is also likely that the sharp outperformance of growth stocks compared with their value counterparts will moderate or reverse, as the latter strategy has had the edge over the long-run.

Stretched

Conscious of stretching US equity valuations, we have sought to augment our existing US equity funds and ETFs with a value-biased strategy and have recently added Conventum Lyrical to the investable universe. This Luxemburg-domiciled SICAV follows the same strategy as Lyrical US Value, a successful US mutual fund. It is managed from New York by a small team led by Andrew Wellington, founder of Lyrical Asset Management.

Deep value

Conventum Lyrical invests in a concentrated portfolio of about 33 stocks, each of which has an equal weighting at around 3 per cent when initiated. The fund has a deep value approach with the team looking to initiate positions in businesses trading at a discount of more than 35 per cent to their intrinsic value. "Analysability" is one of the hallmarks of the approach, meaning the team avoids overly complex or opaque businesses that are difficult to understand.

One of the potential pitfalls of a value approach is that investors can be lured into poor companies that deserve to be on a big discount. However, the Lyrical team has a high quality threshold, avoiding businesses with volatile earnings or excessive leverage, instead targeting those that have delivered a return on invested capital of more than 15 per cent.

Old world

While this leads it away from highly cyclical areas such as mining or more speculative areas such as biotech, this is certainly not a fund full of "old world" capital-intensive metal-bashing firms; around 28 per cent of the fund is in technology stocks, with semi-conductor firm Broadcom the biggest position at 5.6 per cent.

Financials are another well-represented theme, at 23 per cent. This includes firms such as asset management group Affiliated Managers – which owns 30 boutique fund groups including Artemis and Veritas in the UK – and US financial planning giant Ameriprise, rather than the big banks.

Overall, the fund is biased towards mid caps and with an unconstrained approach it will complement a portfolio where the existing US exposure is skewed towards the usual suspects that dominate the index.●

***Jason Hollands** is managing director of business development and communications at Tilney*

FE Trustnet

magazine

September preview

They think it's all over...

While closed-ended funds have many advantages over their open-ended counterparts, their status as limited companies means they can and do go out of business. The next issue of FE Trustnet Magazine will find out whether this is something that happens often enough for investors to worry about, looking at some of the highest-profile failures from the past.
Our sector focus will fall on IT Asia Pacific ex Japan, as we ask the experts why investors shouldn't lump this region in with emerging markets.