TRUSTNET magazine

Issue 27 / March 2017

Can the Lifetime ISA compete with pensions?

LIFE SAVER

MY CUP RUNNETH OVER
How to avoid breaching pension allowances

DODGING THE BULLETS
Sidestepping volatility will be key for bond funds

DOES SIZE MATTER?
Economies of scale in DC pension schemes

ISSUE 27

CREDITS

TRUSTNET MAGAZINE (FORMERLY INVESTAZINE) IS PUBLISHED BY THE TEAM BEHIND FE TRUSTNET IN SOHO, LONDON.

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EDITOR'S LETTER

THE COVER STORY OF THIS ISSUE asks whether the Lifetime ISA, set to be launched in a matter of weeks, will be able to compete with pensions as a vehicle for retirement saving. Most experts are leaning towards a "no" answer – at least for now.

The reasons are obvious. Most people don't have the discipline to set money aside for their old age and when it is not automatically removed from their salary, as is the case with pensions, there always seems to be a more pressing use for it. The ability to use a Lifetime ISA to fund the purchase of a first home complicates matters further.

However, as Pádraig Floyd notes in the feature My Cup Runneth Over, the government's inability to stop tinkering with pension rules means the number of people breaching annual and lifetime limits is on the rise. It will be politically much trickier to mess with the easy-to-understand ISA. Meanwhile, Maggie Williams finds that you have few options if you are unhappy with aspects of your company's auto-enrolment scheme.

There are other reasons why it makes sense to use a product that gives you more control – as Henderson's Tim Stevenson puts it: "I keep telling my children: 'Forget it. The government will be bankrupt by the time you retire. If you don't save for your own retirement, you've got a real problem.'"

Some guidance on what to populate an ISA with can be found in our usual features – Fidelity's Alex Wright highlights three defensive stocks that can also be classed as value trades, 4 Shires' Jeremy Le Sueur points to a high-growth trust on a 19 per cent discount and Adam Lewis shines the sector-focus spotlight on bond funds.

Enjoy reading,

Anthony Luzio
Editor
Trustnet Magazine

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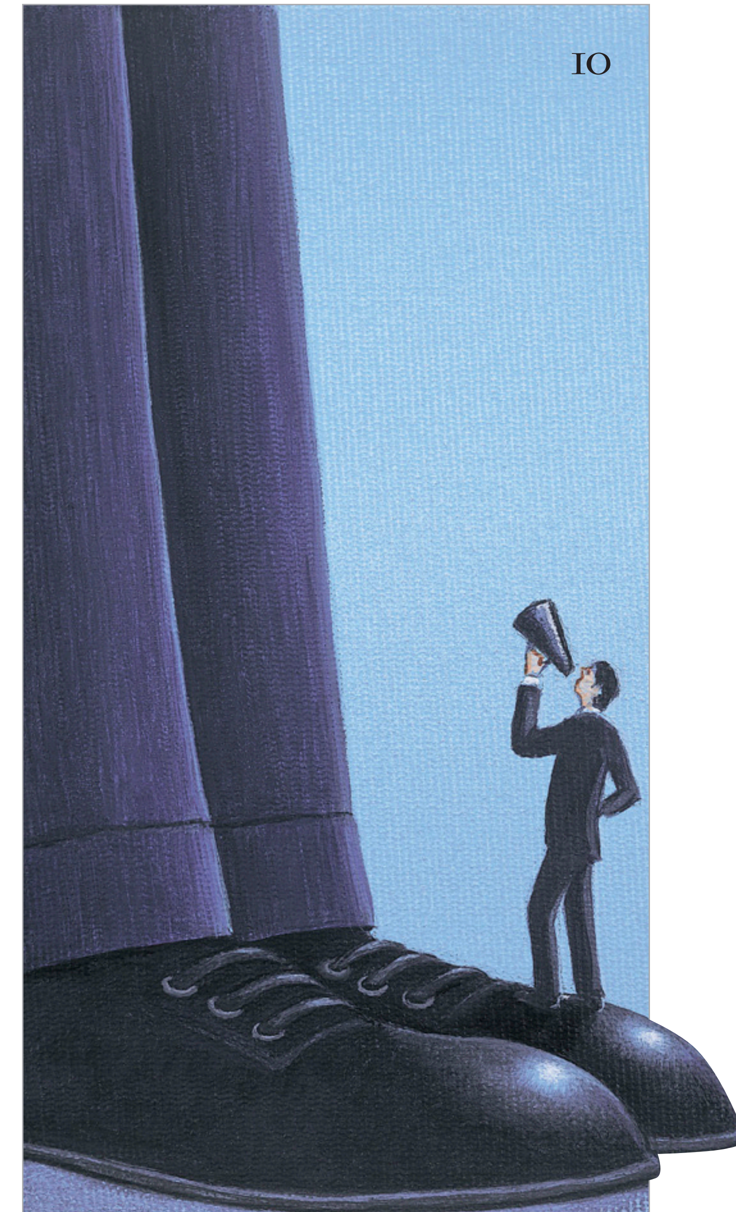
IN THIS ISSUE



LIFE SAVER Anthony Luzio asks if the Lifetime ISA will encourage people to take more responsibility for their retirement planning **P. 2-7** / WE'RE INVESTING IN UGLY DUCKLINGS The Scottish Investment Trust buys companies shunned by the rest of the market in the expectation they will grow into "fully fledged swans" **P. 8-9** / DOES SIZE MATTER? Do economies of scale for larger DC pension plans mean you should you be concerned if you aren't in one? Maggie Williams finds out **P. 10-12** / THE THINKING APPROACH Monks IT's Charles Plowden says genuine active funds with features that mark them as likely to outperform are a better bet than passives **P. 14-15** / MY CUP RUNNETH OVER Pádraig Floyd finds out how you can avoid joining the growing number of people breaching tax-free pension limits **P. 16-18** / FUND, PENSION, TRUST Rathbone Global Opportunities, SVM UK Opportunities and Standard Life UK Smaller Companies Trust find themselves under the spotlight this month **P. 20-23** / DODGING THE BULLETS The ability to side-step volatility will be key for bond fund managers in an era of rising yields, says Adam Lewis **P. 24-27** / STEPPING UP A new, higher allowance means ISAs may be ready to compete with pensions when it comes to retirement saving, writes John Blowers **P. 28-30** / BEST OF BOTH WORLDS Fidelity's Alex Wright highlights three defensive stocks that can now be classed as value trades **P. 32** / WHAT I BOUGHT LAST 4 Shires' Jeremy Le Sueur says VinaCapital Vietnam Opportunity's 19 per cent discount looks excessive **P. 33**

Life SAVER

It is hoped the Lifetime ISA will encourage people to take more responsibility for their retirement planning. **Anthony Luzio** says it may have its work cut out

THE LIFETIME ISA IS ABOUT TO LAUNCH – but you may not know it. A recent survey carried out by Why Research on behalf of Scottish Friendly suggests that less than one in three adults have even heard of the Lifetime ISA, with this figure dropping to just 16 per cent among 18 to 25 year olds – a key audience for a product with a maximum age limit of 40 for new applicants. The research also highlights the general lack of understanding of the details of the Lifetime ISA: of the 31 per cent who have heard of the product, only 15 per cent say they fully understand what it is and how it works.

"The implementation of the Lifetime ISA has been a botched affair by the government," says Neil Lovatt, commercial director at Scottish Friendly.

"It's not surprising that many people haven't heard of a financial product that's still to be introduced. However, awareness hasn't been helped by the antipathy to the Lifetime ISA by the financial services industry which seems to be deliberately ignoring the introduction of this innovative new product."

WHAT IS IT?

The Lifetime ISA was announced by the chancellor in the last Budget and will be launched in April 2017. Under the scheme, anyone aged 40 or below will be able to put up to £4,000 a year into this savings vehicle until the age of 50 and will receive a 25 per cent bonus from the government capped at a maximum of £1,000 a year. This £4,000 allowance will sit within the £20,000 ISA limit.

However, anyone wishing to withdraw their savings before they turn 60 – other than for the purchase of their first home – will lose the government bonus, any interest or growth on this, and will also have to pay a 5 per cent charge. The government later decided to drop this charge for the first year and there are also exemptions in the case of terminal illness.

THE GENERAL IDEA

The general idea behind the product is to encourage young people to save more for retirement, with numerous studies showing they are not putting enough money away for their old age.

Simon Nicol, pensions principal at Thomas Miller Investment, says that from this point of view, Lifetime ISAs are a good idea.

"Survey after survey appears to show that young savers do not, in general, understand or value the tax relief available on pension savings," he explains.

"ISAs, however, are widely understood and the government is banking on the concept of a bonus of 25 per cent being more appealing to young savers."

"The Lifetime ISA also attempts to tackle the other image problem of pensions for those in their 20s, being that there is a cost now, but the benefit is a lifetime away."

"To this extent, anything that encourages the saving habit must be welcomed."

...

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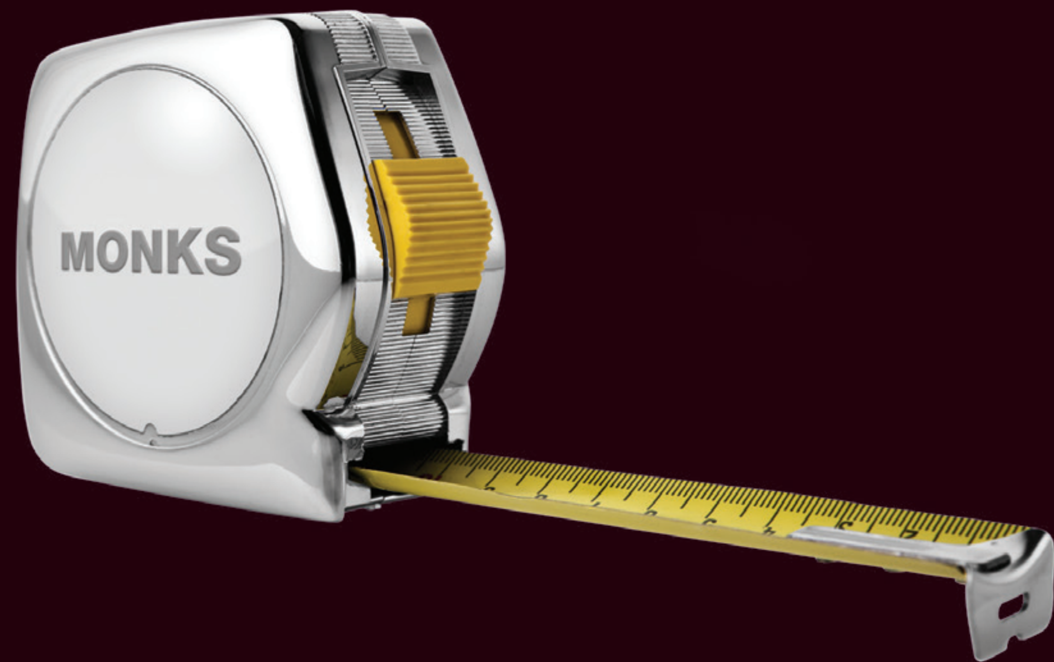

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Jeffrey Mushens, technical policy director at not-for-profit group the Tax Incentivised Savings Association (TISA), agrees with Nicol: "The success of the Help to Buy ISA shows that there are many people who would take advantage of government incentives to save. The Lifetime ISA provides much needed encouragement for those who currently find it hard to save or to consider doing so."

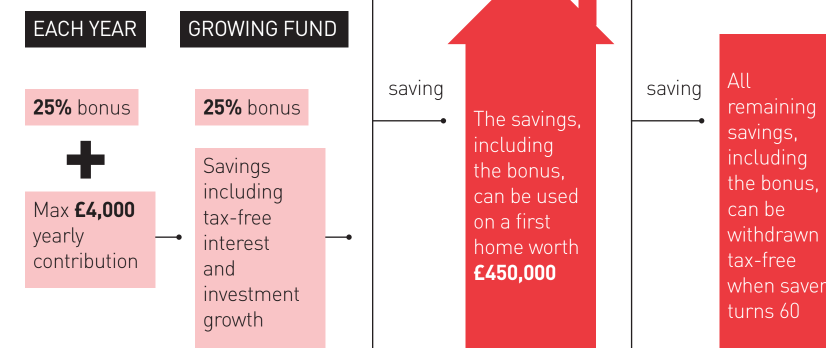
Nicol also says the introduction of the Lifetime ISA will help individuals realise they need to take more responsibility when it comes to saving for their retirement, adding it would take a great deal of optimism to believe the government alone will provide a comfortable income for those retiring in 40 years or more.

"The triple lock, [the mechanism currently used by the government for uprating the basic state pension] which will not last much longer, has dragged pensions up to a hardly princely £155 per week," he says.

> "I keep telling my children: 'Forget it. The government will be bankrupt by the time that you retire.'"

Tim Stevenson, manager of the Henderson Euro Trust, is even more blunt. "I keep telling my children: 'Forget it. The government will be bankrupt by the time you retire. If you don't save for your own retirement, through something like an ISA – and by the way, I can recommend a good fund – you've got a real problem.'"

THE LIFETIME ISA



Source: HM Treasury

A FEW ISSUES

However, Nicol has a few issues with the Lifetime ISA. To start with, he says that by purporting to be both a short-term savings product and a pensions vehicle, it will confuse millennials about the need to save for old age.

He also warns against using it as a substitute for a pension, pointing out that individuals have hardly proved to be adept at planning for their retirement, hence why auto-enrolment was introduced.

"One only has to look at the millions that have been removed from pensions under liberation scams and the contortions some pension holders are prepared to go through to get hold of their pension pots. It will take a will of iron to not touch a Lifetime ISA over 40 years if access is a phone call away," he says.

Recent research carried out by TISA underlines the desire for greater flexibility in savings plans.

In a survey of 223 industry professionals and members of the public, 69 per cent of respondents said the Lifetime ISA would be improved if penalty-free withdrawals were allowed in case of critical illness and 52 per cent said they should be allowed in case of redundancy.

Adrian Boulding, policy strategy director at TISA, says this shows that there needs to be more short-term incentives to save.

"People will typically make sacrifices up to about five years, beyond five years it is harder for human beings to plan for lifetime events," he explains. "That's why we are in favour of the LISA having additional lifetime events. We can imagine a sequence of approved lifetime events whereby people put

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... money into the LISA, save up for the next lifetime event, for example, getting married, moving to a big home, withdrawing some of the money for that lifetime event and then continuing to save again."

However, Nicol points out this flexibility would inevitably result in less money being saved for old age, which was the point of the Lifetime ISA in the first place. Therefore, he thinks the government may be better off improving the terms of current pension schemes.

"Pensions have the big advantage that for many, an employer contribution boosts the savings pot far more than the bonus offered on the Lifetime ISA," he continues. "Pensions, unlike the Lifetime ISA, cannot be accessed at any time; this is both their weakness as an attractive savings vehicle and their greatest strength as a retirement plan."

> "Implementation of the Lifetime ISA has been a botched affair by the government"

"If longer term auto-enrolment take-up rates prove disappointing, the government should consider compulsory membership and certainly should steadily raise employer and employee contributions until they reach realistic levels."

MOVING THE GOALPOSTS

Aside from the lack of flexibility around pensions, the biggest complaints about these products surround "the moving of the goalposts". Ever since the 1670s when the first organised pension scheme was introduced for Royal Navy Officers, the government has been unable to resist tinkering with the rules – no more so than in the past 20 years.

For example, Gordon Brown's "pensions raid" in 1997 abolished the tax relief pension funds earned on dividends from stock market investment, spelling the beginning of the end for defined benefit schemes in the private sector.

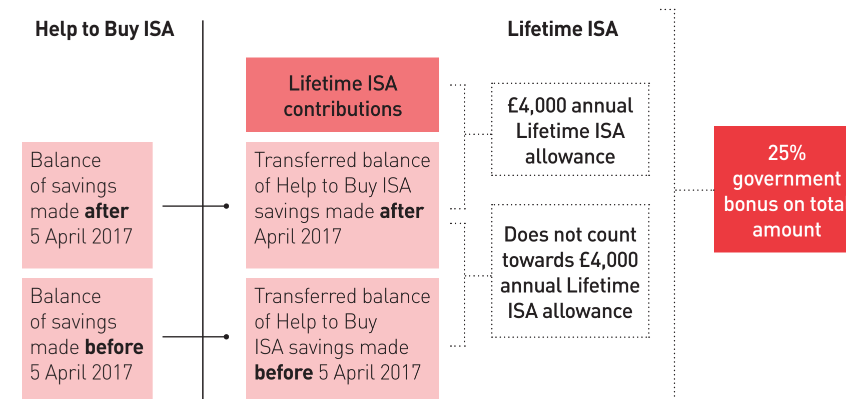
Defined contribution schemes haven't been immune to government tinkering either. The annual allowance, meaning the amount you are allowed to contribute to your pension pot each year before it is taxed, has fallen by 83.33 per cent over the past 10 years, from £215,000 in 2006/07 to £40,000 in 2016/2017, while the lifetime allowance has fallen from £1.5m to £1m over the same period.

However, Nicol says the Lifetime ISA is unlikely to see the same fate.

"Governments can change complicated pension rules safe in the knowledge that they will largely escape the attention of those not immediately affected," he explains.

"It will be politically much trickier to tinker with the well understood and loved ISA. Although what was once one simpler ISA now has half a dozen hybrids, so the danger must be that the new ISA types will come and go with the politicians who think them up." ●

TRANSFERRING FUNDS FROM THE HELP TO BUY ISA TO THE LIFETIME ISA IN 2017-18



Source: HM Treasury

WE'RE INVESTING IN UGLY DUCKLINGS…

The Scottish Investment Trust buys companies shunned by the rest of the market in the expectation they will grow into "fully fledged swans"

AT THE SCOTTISH INVESTMENT TRUST, we take a contrarian approach to global stock markets.

We are high-conviction investors and focus on stocks that are out of favour with mainstream investors, as we believe these offer the greatest potential for long-term gains. This is because popular stocks tend to be overvalued – while out-of-favour stocks are often too cheap. We aim to exploit this inefficiency for our shareholders.

The investment environment is inherently cyclical. We see cycles in industry fundamentals, corporate behaviour, analyst views and investor sentiment. These cycles are closely linked: when an industry's fundamentals have been strong for some time, management teams, analysts and investors tend to be overly optimistic about its future. This leads to irrational investment decisions. Some of our best opportunities arise at the opposite point in the cycle – when a downturn leads to excessive pessimism about a company's prospects. When this happens, we can buy stocks precisely when the profit opportunity is greatest.

AN INNOVATIVE INVESTMENT APPROACH

We believe investment returns are driven by a change in a company's prospects and an accompanying change in market perceptions. Often good companies are overly admired and consequently become overvalued. A company that has been badly run or is down on its luck may offer much more potential for improvement and, eventually, for outstanding returns. As contrarian investors, we see three distinct investment categories.

We categorise the first as **ugly ducklings** – unloved companies that most investors shun. These firms face fundamental challenges, and the market has become extremely pessimistic about their prospects. But we see their out-of-favour status as an opportunity.

The second category is where **change is afoot.** These companies have made significant changes to their prospects, but the improvements are not yet recognised by the market. So, while other managers continue to steer clear, we see the potential for profit.

In the third category are companies that have **more to come.** Unlike the first two categories, these companies are generally recognised as good businesses but we see an opportunity as the market does not appreciate the scope for further improvement.

> When ugly ducklings become fully fledged swans, we're looking to sell. Until then, we keep portfolio turnover to a minimum

A PAINSTAKING PROCESS

To identify the right opportunities, we use a qualitative and quantitative analytic framework to research companies' fundamental prospects. We carefully assess any management change and restructuring actions, and consider the likely extent of any earnings recovery.

Companies in our portfolio can move along an axis from "ugly ducklings" to "change is afoot" and then "more to come". When ugly ducklings become fully fledged swans, we're looking to sell. Until then, we keep portfolio turnover to a minimum.●

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DOES SIZE MATTER?

There are obvious economies of scale for larger DC pension plans, so should you be concerned if you aren't in one? **Maggie Williams** finds out

WITH OVER 34,000 TRUST-BASED DEFINED CONTRIBUTION SCHEMES (DC) in the UK, the workplace pensions sector looks like it is booming. According to the Pensions Regulator's 2015/16 data, however, only 8 per cent of schemes have more than 12 members.

At the opposite end of the scale, large multi-employer master trust schemes have been acquiring new members at a stratospheric rate since auto-enrolment was introduced in 2012. The Pensions Policy Institute (PPI) says 49 per cent of individuals who have been auto-enrolled into a pension by their employer have joined a master trust.

With such a disparity in scale both in terms of members and future assets under management, does size matter when it comes to DC pensions? And how does that affect your savings?

Darren Philp, director of policy and market engagement at the People's Pension master trust, believes scheme size is important in terms of managing costs for members and taking more innovative approaches to investment. "You get economies of scale when you can spread the costs of governance and investment thinking across a vast number of people," he says.

A growing emphasis on ensuring workplace pensions offer value for money has put cost under the spotlight, but – as highlighted by the PPI's report Value for Money in DC Workplace Pensions – this is not the only factor in making sure a scheme delivers for its members.

"The research showed that charges do not have the biggest impact on outcome: other factors such as the choice of default fund, scheme governance and contribution rates have a greater effect," says Fiona Tait, pension specialist at Royal London.

••• The choice and structure of a scheme's default fund – used by members who have not made an active fund choice for their savings – is driven in part by the charge cap, the maximum annual management charge that can be applied to a default fund. Set at 0.75 per cent per member, or a combination of a flat-rate fee plus a percentage of funds under management, the cap is the same regardless of the number of members or assets under management in a scheme. It must include all admin and fund management costs. The balance between those two elements affects the investment strategies used by any scheme – heavy admin charges leave little room for manoeuvre when it comes to fund charges.

"There are no constraints for small schemes in determining investment strategy," says Richard Butcher, director at independent trustee firm PTL. "But if a scheme is negotiating terms on a billion rather than a million pounds, you've got more bargaining power. The challenges of staying in the charge cap are the same for all schemes. But larger ones tend to have modern default strategies. Many smaller schemes' defaults are anchored around annuity purchase and haven't reacted to choice and freedom."

With auto-enrolment forcing businesses to provide workplace pensions, the lure of large-scale low-maintenance options such as master trusts will prove irresistible to many, due to the cost and time involved in running small in-house schemes. Size doesn't guarantee quality, but it can lead to better governed, cost-efficient and flexible pensions. But whatever the design, if you're not paying enough in, you won't build up the funds you need for retirement.●

DOES SIZE MATTER FOR YOUR WORKPLACE SCHEME

and what should you do about it?

- **Your employer selects the workplace pension scheme** your company will use so, even if you feel it's not optimal, you won't be able to choose to use a different scheme
- **While you could simply exit your workplace pension** and take matters into your own hands, you would potentially risk losing out both on contributions made by your employer and on other tax efficiencies such as salary sacrifice
- **Ask tough questions** about how your workplace scheme handles the retirement flexibilities available to over-55s. A well-designed default fund (for any scheme size) should pave the way to letting you choose between cash withdrawals, flexible drawdown, annuity purchase, or a mix of all three. The default strategy should support that through continuing to offer some investment growth even as you reach retirement
- **One benefit of a smaller company pension scheme** is that you could have some direct input into how it is run, by becoming a trustee or sitting on a governance committee
- **Your pension statement will show the charges being applied** by your scheme, which, if you are in the default fund, must be within the 0.75 per cent charges cap. It will also tell you who runs your scheme – even if it is branded with your employer's name, it may still be run by a third party. If it is a group personal pension or master trust, it is being run by a big provider. Even if it's a scheme run by your company just for a small number of employees, that doesn't mean you should be concerned – many small schemes are exceptionally well-run

> "There are no constraints for small schemes. But if a scheme is negotiating terms on a billion rather than a million pounds, you've got more bargaining power"

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THE THINKING *approach*

Monks IT's **Charles Plowden** says that rather than "blindly" buying passive funds, investors would be better off holding genuine active portfolios with features that mark them as likely to outperform

THE DEBATE OVER THE RELATIVE MERITS of active and passive investing has divided the investment world in recent years. It has also raised fundamental questions about the nature and the value of active investment management. While the discussion has been fuelled largely by the growth of passive products such as exchange-traded funds, a number of active fund groups have responded to some of the criticism levelled at the sector by emphasising their commitment to genuinely active investment management.

As a champion of active management, Baillie Gifford has taken a lead by disclosing data that demonstrates the extent to which its portfolios are genuinely active in approach. The monthly factsheets for Baillie Gifford's equity funds and trusts now include portfolio turnover and active share percentages. Only a handful of firms currently make this data available to investors.

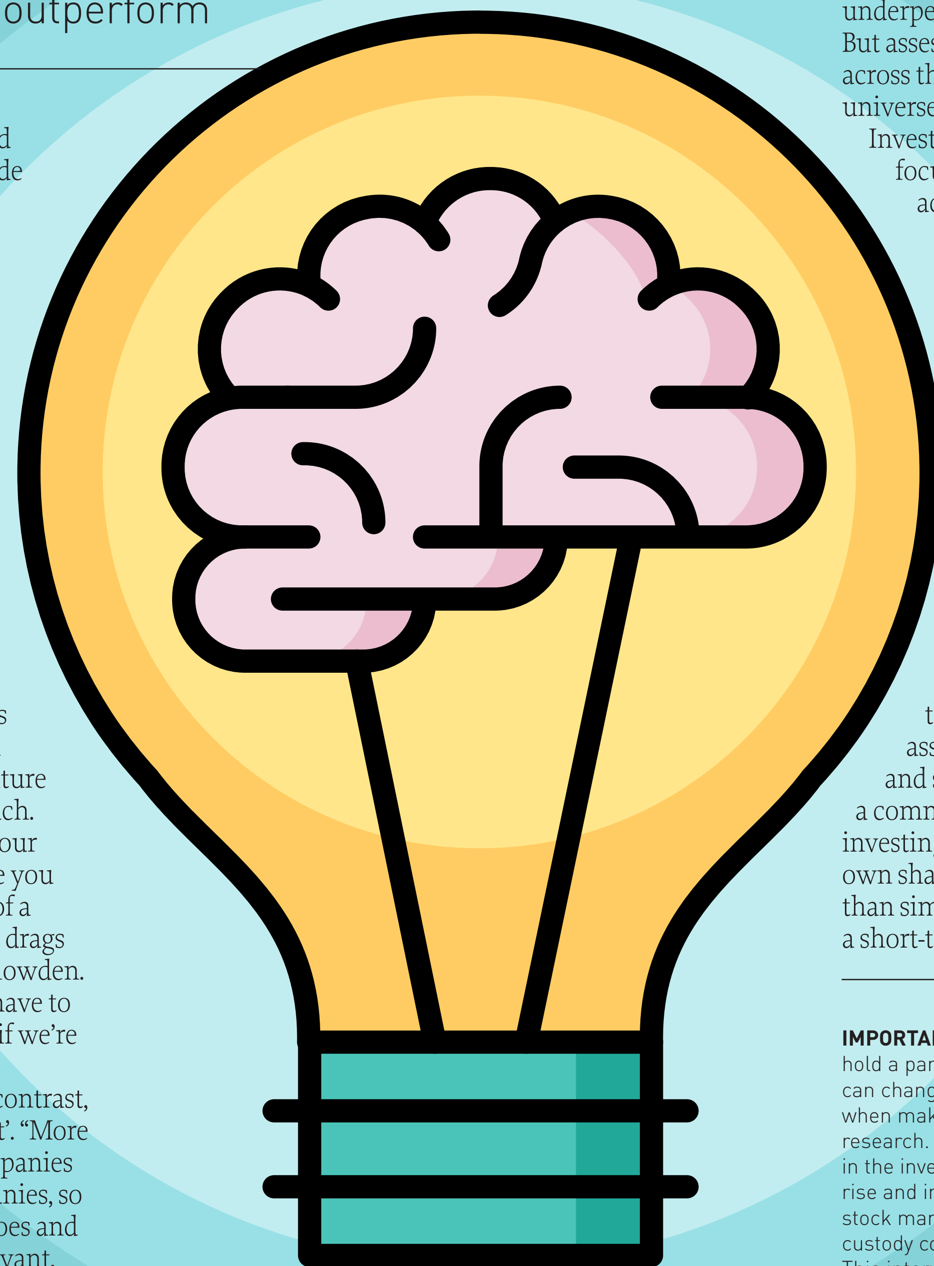
Active share shows the extent to which a portfolio deviates from its benchmark. A high active share suggests little commonality with the benchmark index (such as the FTSE 100) and therefore that the manager is properly 'active' when picking companies for the portfolio. Those with an active share of around 80 per cent or over are considered to be highly active, notwithstanding a portfolio with an active share of around 30 per cent or 40 per cent will generally be viewed as a 'closet indexer', while an active share of zero denotes a pure passive portfolio.

"High active share is not the answer to everything, but it does at least suggest that a manager is trying to outperform," explains Charles Plowden, joint senior partner at Baillie Gifford and manager of Monks (alongside deputy managers Spencer Adair and Malcolm MacColl).

The £1.3bn Monks Investment Trust invests in growth companies across the world and has an active share of 93 per cent, indicating that just 7 per cent of it overlaps with the given benchmark (in its case the FTSE World).

Genuine active management – where the primary objective is to maximise long-term returns – tends to be unconstrained by benchmark indices, a feature of the Baillie Gifford approach. "The less aware you are of your benchmark, the more active you are likely to be. Awareness of a benchmark subconsciously drags you back towards it," says Plowden. "Essentially we believe we have to be different from the index if we're to outperform it."

Passive management, by contrast, is 'unthinking management'. "More capital goes into larger companies and less into smaller companies, so what a company actually does and how well it does it are irrelevant.



That is investing blind or without thinking," says Plowden. In other words, passive investment takes positions in businesses regardless of fundamentals and future prospects. They may even be in terminal decline.

That said, it is active management that has come under fire of late, with some studies suggesting that the average active fund typically underperforms the wider market. But assessing average performance across the active management universe is pointless, says Plowden.

Investors are better served focusing on the genuinely active portfolios with identifiable features that mark them out as more likely to outperform consistently. "The active managers that do outperform in the long-term tend to be those with a high active share, low portfolio turnover and a long investment horizon," he says.

Publishing the portfolio turnover ratio, which indicates the frequency with which assets in a fund are bought and sold, aims to demonstrate a commitment to long-term investing in which managers own shares in companies rather than simply 'renting' them with a short-term view. Low portfolio turnover shows a commitment to long-term investing and can also mean that trading costs are kept down and so don't eat excessively into investment returns. Baillie Gifford equity funds and trusts tend to have an average annual portfolio turnover below 20 per cent.

By holding positions over a long period of time – as investment trusts in particular are able to do because of their closed-ended structure – a manager can develop a dialogue with companies and have a greater influence over their management and business strategy.

"When we buy shares in a company we think of ourselves as part owners of that business," says Plowden.

He cites the example of Amazon, owned for more than a decade by his Global Alpha team (the team that has been running Monks since 2015). "There's been a huge amount of pressure on Amazon – which hasn't made that much profit – to raise prices and reinvest at a lower rate, but its consistent position is to reinvest almost all profits and we support that."

Each January the Monks team sets out the main thematic areas likely to merit particular attention over the coming year.

> **"High active share is not the answer to everything, but it does at least suggest that a manager is trying to outperform"**

Despite the gloom around trade protectionism in the wake of Trump's US election victory, Plowden offers a more optimistic hypothesis: "There's huge development of railroads and gas pipelines across Asia and Africa and you can see China's embrace of global opportunities as an offset at the least to any protectionism in the US." Ultimately, the key is to think about how the world may look in the future and to invest with that in mind. This should yield better returns over the long term than slavishly following a benchmark.●

Jeff Salway is a freelance journalist, writing on pensions, investments and banking for a range of publications. He was previously personal finance editor at The Scotsman/Scotland on Sunday.

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This interview took place in January 2017.

MY CUP RUNNETH OVER

Pádraig Floyd finds out how you can avoid joining the growing number of people breaching tax-free pension limits

IT'S THE END OF THE TAX YEAR, which usually means those who got their self-assessment return in on time are now allowed to kick back and put their feet up. However, a couple of nasty little twists mean many people approaching retirement may not find the next few weeks so relaxing.

The government has been reducing the amount of tax relief on pension contributions for higher paid individuals in recent years. The lifetime allowance – how much you are allowed to contribute to a pension – fell from £1.5m to £1.25m in 2014/15 and is now down to £1m.

There are only a few weeks left to claim protection at £1.25m for those who qualify, but there are dangers to watch for, including the pensions tapered annual allowance.

THIN END OF THE WEDGE

The taper is a sliding scale that reduces the £40,000 annual allowance (AA) tax relief on pension contributions as income exceeds £150,000.

A Freedom of Information request from Royal London found the number of people reporting they had breached the annual allowance rose by 79 per cent between 2012/13 and 2014/15, the latest year for which figures are available.

> "You can imagine a client who needs to access their pension to pay down debt or fund a divorce settlement"

In 2012/13, when the annual allowance was £50,000, 3,900 people reported on their tax return they had saved more than the permitted amount, a figure that rose to 7,000 people in 2014/15 when the limit was cut to £40,000. Royal London says the number is likely to have risen substantially in 2016/17 when anyone earning £210,000 or more will have seen the limit tapered down to just £10,000 following rule changes in April 2016. Those who breach the limit will face a charge to claw back any tax relief they have received on contributions above the allowance.

However, determining whether you are liable isn't as simple as looking at your payslip or invoice book. That's because there are two ways to assess your income.

DO THE MATHS

Claire Trott, head of pensions strategy at Technical Connection, points out that if your income, less gross personal pension contributions, plus basic rate tax relief, is under £110,000, then the taper won't affect you.

"Unfortunately, a lot of people skip that step and cause themselves some worry," she says. •••

Even if you breach the £110,000 limit, you still may not trigger the taper if your adjusted income is less than £150,000.

Adjusted income is your net income, plus money paid into pensions, including any employer contributions. It must also include: cash deposits; investment returns and dividends; rental income less expenses (relief on mortgage interest will be excluded from next year and wear and tear is replaced with a flat rate); state benefits; and pensions in payment.

Working it out isn't too difficult if you have a defined contribution (DC) pension plan – occupational or personal. But it becomes much trickier if you are in a defined benefit (DB) scheme, as is common in the public sector. This is because pension input periods have now been aligned to tax years, so you need to know what your income and benefit accrual will be at the start of the year or run the risk of a breach.

The self-employed, who have control over how much they contribute to their fund, can wait and adjust accordingly, but it is impossible to know how much DB benefit will be accrued until after the end of the tax year, says Trott.

"People simply can't plan," she adds, pointing out this leaves them with a stark choice.

USE IT OR LOSE IT

It isn't only bankers with variable bonuses who may face such a choice. Others with variable income or generous benefit accrual within public sector schemes include senior executives of local authorities, civil servants, senior doctors and administrative staff in the NHS.

More lowly medical practitioners can also fall foul of the rules, as some doctors receive large bonuses which could tip them over the threshold. If they have other savings or have inherited a home they rent out, they may receive a hefty tax charge at the end of the year.

> "We have come across the MPAA being inadvertently triggered when a client has cashed a small legacy pension"

There is little you can do about the taper, either, as salary sacrifice has been tightened to prevent avoidance.

Nicol recommends reducing income by making pension contributions – within the existing annual allowance – and making full use of any carry-forward that hasn't been used over the past three years.

THERE'S MORE

Anyone who has drawn income from a pension fund, or accepted a transfer out of an occupational DB scheme as an uncrystallised funds pensions lump sum (UFPLS) doesn't need to worry about the taper, as they will be subject to the money purchase allowance (MPAA).

The MPAA was introduced to discourage the recycling of pensions money into other pension plans to double up the tax relief. It limits contributions to £10,000 a year.

This is problematic, as some of these savers will continue to work without considering employer contributions they may receive on any pension they accrue. And it will become worse soon. The government just cut the MPAA to £4,000, leaving little breathing space.

"Many clients will have based their retirement decisions on the current rules and perhaps decided to take some pension monies out with the knowledge that they can rebuild these in time while they continue to work," says Andrew Pennie, head of pathways at Intelligent Pensions.

"You can imagine a client who needs to access their pension to pay down debt or fund a divorce settlement. There are going to be some unfortunate people who will be caught out by this change."

WHAT'S THE ALTERNATIVE?

The advice for those who need the money is to refrain from cashing in old small pots – unless they contain less than £10,000, in which case they may be commuted.

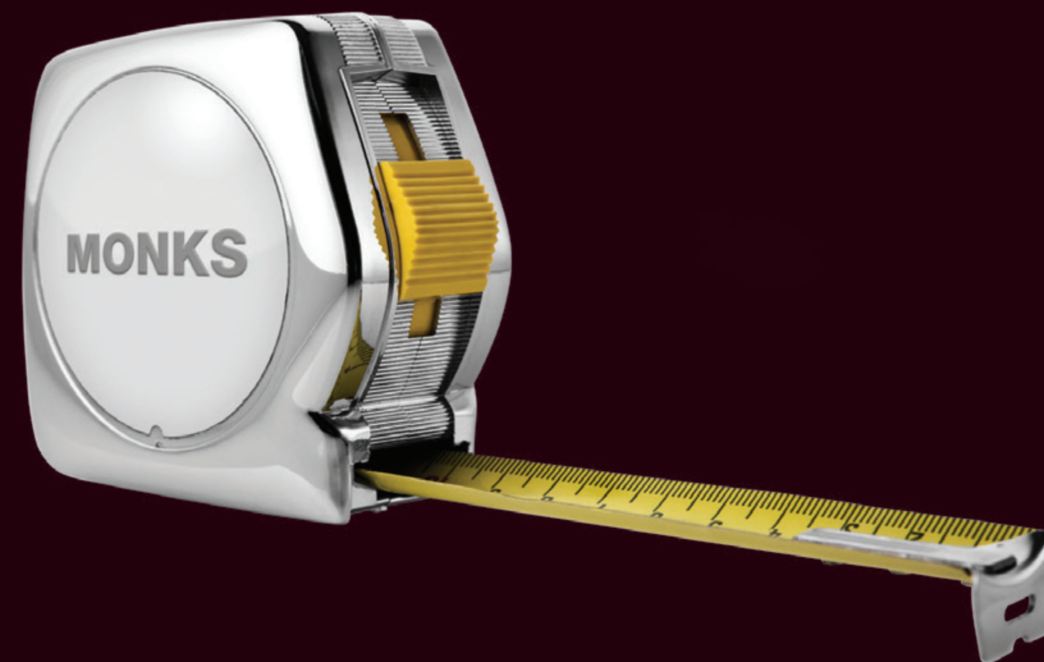
Instead, anyone seeking to protect their future contributions should make full use of the tax-free cash elements of their pension funds.

"The main thing we have come across is the MPAA being inadvertently triggered when a client has cashed a small legacy pension fund," says Trott. "Be careful before cashing pensions in. If you need money, there are other things you can do."

Ultimately, the pension freedoms have provided flexibility for savers, but few read the small print and complexity was always going to be the quid pro quo.

If you wish to continue pension saving, think twice about cashing one in, as just like an annuity purchase, these decisions are one-time deals. If you settle in haste, be prepared to repent at leisure.●

MONKS INVESTMENT TRUST



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Fund

RATHBONE GLOBAL OPPORTUNITIES

This is one of the few funds that has demonstrated the ability to beat the global market over the medium and long term

UK LARGE CAP FUNDS HAD A DIFFICULT TIME IN 2016 – the IA UK Equity Income sector made around half of the gains of the FTSE All Share, with just five of its 78 members beating the index on a total return basis.

Investors who are considering broadening their horizons following this disappointing performance may wish to consider a global fund – and a strong contender for anyone wishing to go down this route is Rathbone Global Opportunities.

While the global market is notoriously difficult for active managers to outperform, this fund has achieved the feat over both five and 10 years. It has made 171.08 per cent over the past decade compared with gains of 152.36 per cent from its FTSE World benchmark and 98.39 per cent from the IA Global sector.

The fund has been headed up by FE Alpha Manager James Thomson since 2001 with deputy manager Sammy Dow joining him in 2014. Together they run a concentrated portfolio of 40 to 60 stocks with a strong large cap presence and a flexible unconstrained mandate.

Rathbone Global Opportunities was hit hard by the financial crisis, with a loss of 39.39 per cent in 2008 putting it in the bottom decile of its sector. This prompted Thomson to overhaul his investment process and add a core defensive bucket of reliable growth stocks to the portfolio – this provides an element of "weather-proofing", helping to reduce volatility.

Thomson also limits exposure to single securities to just 4 per cent, which reduces the downside if certain sectors underperform.

The fund's "agnosticism" when it comes to style and market cap gives the manager greater flexibility – for example he can increase the fund's exposure to mid caps if this is where he sees the best opportunities. However, most of its assets are currently invested in large caps.

Its largest geographical weighting is to the US at 57.43 per cent of assets, followed by Europe ex UK at 25.16 per cent and the UK at 13.92 per cent.

The fund's top holding is Amazon, followed by Facebook and pan-European investment group Aurelius, with tech firms Visa and Tencent rounding out the top-five.

FundCalibre research director Juliet Schooling Latter described Rathbone Global Opportunities as "a global growth fund looking for simple, scalable businesses with entrepreneurial and flexible management teams".

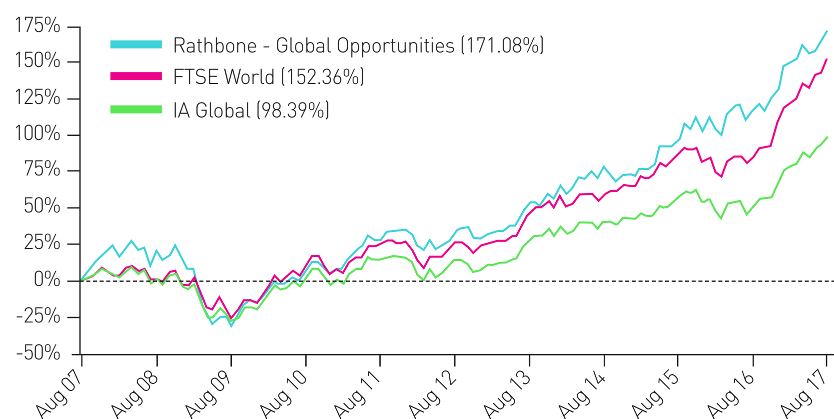
"James Thomson has a contrarian philosophy, investing in undiscovered or out-of-favour growth companies," she added. "He believes there is a bias against growth companies, as the majority of active funds are value driven."

The fund has a clean ongoing charges figure of 0.8 per cent.●

FILE

MANAGER: **James Thomson**
FUND SIZE: **£947.9m**
LAUNCHED: **9/5/2001**
OCF: **0.8%**

PERFORMANCE OF FUND VS SECTOR AND INDEX OVER 10YRS



Source: FE Analytics

Pension

SVM UK OPPORTUNITIES

Neil Veitch's £145m fund is suited to investors with an ultra long-term horizon and a tolerance for volatility

WHEN IT COMES TO SELECTING FUNDS FOR THEIR PENSION POT, investors generally fall into two camps: they either take on more risk to make the most of their ultra long-term time horizon, or choose offerings that chug along steadily, allowing them to sleep at night.

SVM UK Opportunities is more suited to the former type of investor, given manager Neil Veitch's unconstrained and concentrated approach when it comes to portfolio positioning.

Its holdings are split into eight different "risk buckets" so both manager and investor can keep an eye on the portfolio's overall balance. These buckets include: cyclicals, which currently account for 43.9 per cent of the portfolio; defensives, which account for 19.8 per cent; and consumer cyclicals at 9 per cent.

Unlike many of its peers in the IA UK All Companies sector, the fund can use short positions to reduce beta and minimise risk when the manager is cautious on the outlook for UK equities.

Each stock is predominantly chosen on a bottom-up basis. However, Veitch also makes use of a macroeconomic overlay so as not to take on too much thematic risk at any one time.

In an FE Trustnet article published last month, Veitch described the notion that investors can focus exclusively on bottom-up fundamentals and ignore macro-issues as "quaint" and difficult to comprehend.

"We'd all love to be able to buy 20 stocks that are all such high-quality businesses that they will see you through regardless. The reality with fund management stockpicking is as much about the price you pay as what you're buying," he said.

As such, Veitch focuses on company valuations as well as the quality of management, which he gauges through face-to-face meetings.

However, the manager generally describes the fund as adopting a value bias, meaning investors can expect periods of volatility and underperformance over the short-term.

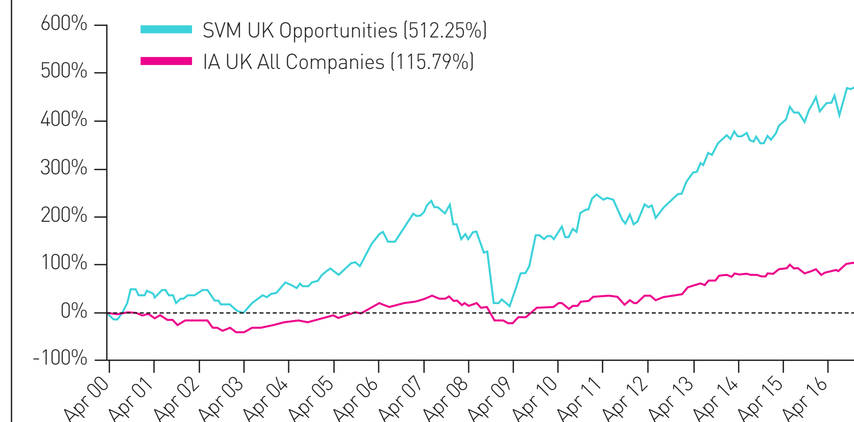
Again, this makes the fund better suited to patient investors – as the data clearly shows. SVM UK Opportunities has made 512.25 per cent since launch in 2000 compared with 115.79 per cent from its IA UK All Companies sector.

Even though the fund has been around for the best part of 17 years, it is still just £144.7m in size. This offers long-term investors the reassurance that liquidity is unlikely to be a problem for some time to come.●

FILE

MANAGER: **Neil Veitch**
FUND SIZE: **£144.7m**
LAUNCHED: **20/03/2000**
OCF: **1.05%**

PERFORMANCE OF FUND VS SECTOR SINCE LAUNCH



Source: FE Analytics

Trust

STANDARD LIFE UK SMALLER COMPANIES TRUST

Significant increases in earnings forecasts have made Harry Nimmo bullish about the holdings in his trust over the next couple of years

VETERAN INVESTOR HARRY NIMMO SAYS he is "particularly optimistic" about the holdings in his Standard Life UK Smaller Companies Trust, even though many analysts have expressed concern about the prospects for the lower end of the market-cap spectrum since the UK voted to leave the EU.

Nimmo has built a strong long-term track record on the trust, posting a 268.85 per cent total return over the past 10 years. This compares with 143.96 per cent from its AIC UK Smaller Companies sector average and 122.31 per cent from the Numis Smaller Companies ex Investment Companies index.

The FE Alpha Manager's approach is built around Standard Life Investment's Matrix proprietary research tool, which he helped to develop. Nimmo said that one of the tool's measures in particular has given him a great deal of confidence about the prospects for UK smaller companies over the next couple of years.

"Fully 55 per cent of the constituents of the trust have recorded significant earnings forecast increases looking 24 months out. This is the most predictive factor on the back-testing of our Matrix stock selection system. I am struggling to remember a previous period when the profile of earnings revisions has been this good."

The manager added: "This makes me feel particularly optimistic about the trust's portfolio as long as markets concentrate on the actual operating performance of companies rather than obsessing about macro conditions."

Nimmo highlights Fevertree Drinks, JD Sports Fashion, veterinary services provider CVS Group and pork producer Cranswick as companies that are scoring particularly highly on this metric. All four of these are in the trust's top 20 holdings.

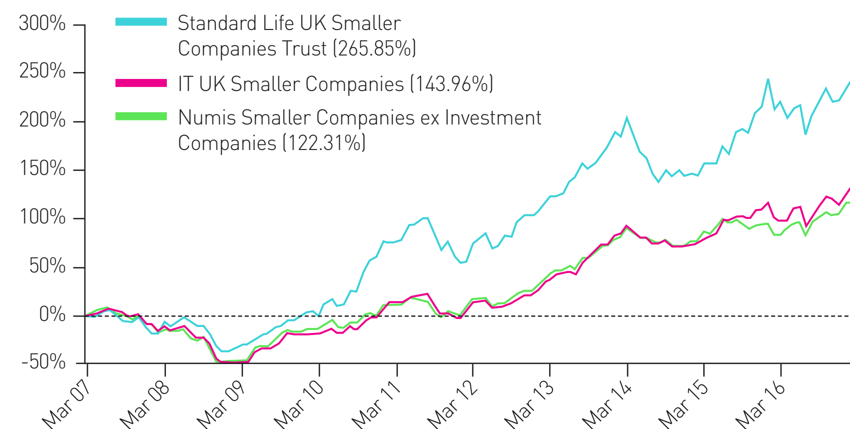
The trust's allocation to companies that derive 50 per cent or more of their revenues from overseas increased from 29 per cent of assets in May 2016 to 38 per cent today. These stocks include patent translation and search company RWS, promotional product manufacturer 4imprint and engineering consultancy Ricardo.

Exposure to UK cyclicals – whose fortunes are more linked to the health of the economy – has fallen from 28 per cent to 10 per cent over the same period. Nimmo says this is a result of the Matrix screening process, rather than a view on the health of the UK economy. However, these moves should help to protect the Standard Life UK Smaller Companies Trust if the worst-case Brexit scenario is realised. ●

FILE

MANAGER: **Harry Nimmo**
DISCOUNT/PREMIUM: **-3.6%**
LAUNCHED: **1/1/1994**
OCF: **1.13%**

PERFORMANCE OF TRUST VS SECTOR AND INDEX OVER 10YRS



Source: FE Analytics

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DODGING THE BULLETS

The ability to side-step volatility will be key for bond fund managers in an era of rising yields, says **Adam Lewis**

WITH INTEREST RATES IN THE UK AT ALL-TIME LOWS, bond yields on the floor and equity markets enjoying an eight-year bull run, it is little surprise many investors have lost faith in fixed income funds in recent years.

The traditional diversification model allocated 60 per cent to equities and 40 per cent to fixed income, but given the challenges faced by bond markets since the onset of the global financial crisis, many investors have turned to more alternative asset classes in their hunt for "safe" sources of income.

However, after close to a decade of extraordinary monetary policy in which quantitative easing has propped up bond markets, there are signs that things are beginning to change. With bond yields and inflation on the up and the prospect of global interest rate rises, many investors are questioning if a low allocation to fixed income remains the best approach.

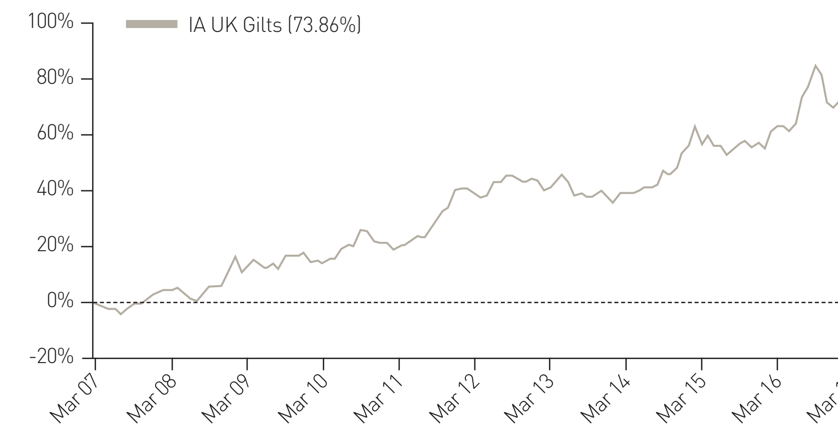
The IA Sterling Strategic Bond sector topped the FundsNetwork sales charts in January this year, while the IA Global Bonds and Sterling High Yield sectors also made it into the top 10.

According to the funds supermarket, this suggests investors have begun 2017 in a cautious mood, but in an environment of potentially rising rates, will this renewed appetite for bonds be maintained?

LEAST ATTRACTIVE ASSET

Take UK gilts for example. As an asset class, UK government bonds were long seen as one step up from cash on the risk scale. However, after what Liontrust's head of mutual ...

PERFORMANCE OF SECTOR OVER 10YRS



Source: FE Analytics

asset John Husselbee describes as a "triple decade bull market", fund selectors say this is no longer the case.

"Within fixed income, gilts continue to look the least attractive asset for a medium-term investor," says Chris Metcalfe, managing director of IBOSS Asset Management. "We would argue you always have to look at the price of an asset relative to different historical timeframes for a realistic assessment of its risks."

In addition to the elevated price of gilts, Metcalfe says they continue to exhibit high levels of volatility in both absolute and relative terms. "This is likely an unwanted characteristic for many investors, especially the lower risk or older investors," he adds.

Meanwhile, Jason Broomer, head of investment at Square Mile Investment Consulting and Research, says gilts could suffer significant short-term capital losses if interest rates rise significantly. While these losses would be temporary, he nevertheless warns that risk-averse investors such as pensioners may find it an uncomfortable experience.

"We believe investors should hold off purchases of longer dated gilts for the moment," Broomer says. "Shorter-dated gilts are safer but offer virtually no yield. This means investors seeking fixed income yield, while protecting themselves from interest rate rises, will have to adopt some form of credit risk."

So where should investors be looking to take this risk?

Peter Lowman, chief investment officer at Investment Quorum, has been underweight fixed income in his balanced portfolio for the last two-to-three years, with the current weighting of 16 per cent his "lowest exposure for some time". Just under two-thirds of this is invested in a combination of global macro and short-dated bond funds, while 6 per cent is in inflation-linked products.

"We don't think bonds are toast, but our aim is to side-step the bullets that are heading our way in the next 10 years," says Lowman. "This is because the next decade is going to be a very different environment to the last 10 years. As such, I am looking to invest in managers with the ability to make their own calls on durations and currencies."

> "Many younger managers have never seen conditions where markets are being driven by politically motivated decisions"

PERFORMANCE OF FUNDS VS SECTORS

Name	1yr (%)	3yr (%)	5yr (%)	10yr (%)
Baillie Gifford Corporate Bond	14.41	19.69	45.0	84.71
IA Sterling Corporate Bond	11.04	18.46	33.59	58.06
AXA Sterling Credit Short Duration Bond	3.63	5.88	13.04	N/A
IA Sterling Strategic Bond	10.09	13.39	29.48	55.04
Kames High Yield Bond	12.19	9.41	30.57	81.73
IA Sterling High Yield	14.54	10.94	33.64	68.89

Source: FE Analytics

BOND PROXIES

Metcalfe also invests in a mix of short-dated and index-linked corporate bond funds, combined with strategic bond and "bond proxy" absolute return funds.

"As managers of multi-asset portfolios, the idea behind any allocation to bonds is primarily optimal diversification, while reducing the volatility of the overall portfolio," he says. "All asset classes will have difficult periods dependent upon market conditions, but over the longer term combine to produce returns to match a client's level of risk."

Compared with last year, Metcalfe is more positive about the short-term prospects for bonds and argues the biggest drawdown risks lie with equities rather than fixed income. However, he stresses that longer-term doubts remain.

"There is no guarantee the resurgence in growth and inflation expectations will sustain," he says. "As such, bonds could yet revisit the low yields of earlier last year."

DON'T ABANDON SHIP

Husselbee adds the main question bond investors are asking is whether we have entered a new long-term secular interest rate cycle. "For now, the answer seems to be 'yes' and that has been demonstrated with the fairly swift back-up in yields," he explains. "However, for a diversified long-term investment portfolio, this is not a signal to abandon this asset class."

He adds that if bond yields do rise, short-duration bonds should provide investors with some form of protection in the medium-to-long term. "High yield bonds are also attractive if interest yields rise due to economic strength, with higher coupons and lower default rates resulting in the potential for positive returns."

"Emerging market debt is another fixed interest asset class that can provide diversification in risk and returns. Finally, there are strategic bond funds that have an extended range of tools – this environment gives the sector a chance to really establish itself as a credible investment."

Metcalfe agrees the current backdrop presents opportunities for strategic bond managers to add value to client portfolios via credit, as well some duration "as the market inevitability gets ahead of itself and the herd lurches from one side of the ship to the other".

Lowman adds: "With fixed income at a disadvantage to equity markets, we are set to separate the men from the boys with regard to active bond managers. As such for me, when it comes to using strategic bond funds, it is all about the manager or the team behind them, rather than the name of the fund. Do they have enough experience?"

The problem as Lowman sees it is that many younger managers have never seen conditions in which markets are being driven by politically motivated decisions rather than central banks. For this reason, he uses funds from groups such as M&G and Henderson, given their larger resources when it comes to research.

"As long as equity yields remain higher than government bonds, equities will continue to be favoured by income seekers," concludes Husselbee. "This may exist for a while unless central banks are forced into more hawkish action should inflation rise quicker than current expectations."●

The strategic option
BAILLIE GIFFORD CORPORATE BOND

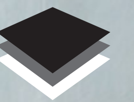
METCALFE SAYS THE FIRST NAME on his fixed income team sheet is the £600m Baillie Gifford Corporate Bond fund, managed by Stephen Rodger and Torcail Stewart. The fund, which aims to produce a high level of monthly income, is ranked first quartile in the IA Sterling Strategic Bond sector over one and three years. "It has a first-class team with an exceptional track record," says Metcalfe. "There is a strong emphasis on high quality credit work and somewhat less on duration and there is little of the fanfare that such a successful fund would elicit in some other fund houses."

Taking the short approach
AXA STERLING CREDIT SHORT DURATION

NICHOLAS TRINIDADE'S £570M AXA STERLING CREDIT SHORT DURATION BOND fund is currently ranked fourth quartile in the IA Sterling Corporate Bond sector over one and three years. However, Broomer says this type of fund provides modest yields ahead of cash with limited interest rate risk. "The fund's performance over one and three years is primarily caused by its lack of interest rate sensitivity," he explains. "If bond yields back up, this fund is likely to be propelled to the top of the peer group."

The high yielder
KAMES HIGH YIELD BOND

"THE FUND MAY NOT HAVE SEEN THE BEST SECTOR RETURNS in recent history, but this doesn't undermine a strong investment story," says Husselbee. He adds this story was enhanced by the recent recruitment of David Ennett, who started working on the fund in September last year. Ennett joined from Standard Life Investments, where he was head of European high yield and manager of the SLI Higher Income Bond and SLI European High Yield Bond funds. Kames High Yield Bond is yielding 4.54 per cent.



STEPPING *UP*

A new, higher allowance means ISAs are ready to compete with pensions when it comes to saving for your retirement, writes **John Blowers**

FROM 6 APRIL 2017, THE ANNUAL ISA ALLOWANCE will rise from the current figure of £15,240 to £20,000, meaning investors will finally be able to use this tax break as a genuine alternative to pensions.

It is important to note that traditional pensions are preferable but have little flexibility. In this hire-and-fire world, access to your savings has become a major driver for investors. There's nothing worse than losing your job and staring longingly at all that money in your pension – knowing that, if you're under 55, you can't touch it.

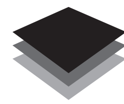
It's probably a good thing in the long-term that access to your retirement fund is limited, unless you have iron willpower, but changing financial circumstances are more commonplace now a "job for life" is a thing of the past.

One of the main reasons why people don't contribute enough towards their pension fund is the lack of accessibility to this money should they need it in the future.

In a recent article for Trustnet Magazine, I wrote about how the ISA could be used to top up a pension once you have reached your lifetime limit of £1m. High earners can find they hit this limit all too quickly and the taxes on additional pension contributions over the £1m lifetime limit are punitive.

I mentioned ISAs can effectively top up a pension above this lifetime limit, although you have to invest from your taxed income. But any income post-retirement is tax-free and you can access it at any time.

The key disadvantage of saving for retirement using an ISA as opposed to a pension is that you can only invest taxed income. With a pension, your contributions are made before tax. If you wanted to invest £1,000 a month into your ISA, it would generally cost you £1,000. In a pension, however, you are really only paying in £600 (if you are a 40 per cent taxpayer), either with •••



PROS AND CONS OF USING PENSIONS AND ISAS TO SAVE FOR RETIREMENT

	Personal pension	New £20,000 ISA
Contributions	These are made tax-free	These are from taxed income
Retirement income	Taxed at your prevailing rate	Tax-free
Access to your money	You cannot access your pension until you are at least 55	You can access your money at any time
Biggest advantage	Investment growth should be higher as you are investing a gross (untaxed) amount	Simple, immediate access to your money, plus proceeds are tax-free
Biggest disadvantage	Pension/SIPP charges can be expensive, plus you cannot access your funds before the age of 55	Investments are made from taxed income, meaning a smaller amount is invested compared with a pension

••• HMRC rebating your payments so they are tax-free or a company "salary sacrifice" scheme paying into your pot from your gross salary so it doesn't get taxed.

So, pensions seem to have the whip-hand when it comes to building a significant pot at retirement, but the story doesn't end there. Using the example in the table below, the pension investor has to pay tax on the income they get from their pension at the prevailing rate.

If you want this £457,546 to last until you are 90 (and assuming your pot remains invested and growing at 6.5 per cent a year), you can afford a monthly income of £3,050.

However, this would be taxed at the 20 per cent basic rate (as the threshold for higher rate tax is currently £43,000) each time you make a withdrawal, giving you an income of £2,440 per month. I have not included any personal allowances in this calculation.

The ISA is free of income or capital gains tax liability, so on the same basis as before, your ISA pot would give you an income of almost £2,200 per month, just £240 per month less than the pension, after tax.

> **There's nothing worse than losing your job and staring at that money in your pension, knowing you can't touch it**

Add in the fact most ISAs are free and you can access this money at any time, and using one of these products looks more attractive.

The main issue is whether you can invest enough in an ISA to provide you with a decent income in retirement and the answer is now yes – so long as you start reasonably young and use the full allowance.

Your personal situation may lend itself to a different approach, but with the increased ISA allowance, you can build a healthy retirement fund if you don't leave it too late.

If you are concerned about access to your money in the short to medium term – and it is preventing you from investing altogether – an ISA may be a better option.

If you have a small company, workplace or personal pension that doesn't look like it will provide sufficient income in your retirement, then an ISA might help you build up a healthy supplementary income.

What's most appealing is that investing in an ISA is cheap and simple. Setting up a SIPP or personal pension can feel overwhelming for less experienced investors, whereas setting up an ISA is straightforward.

Just do something. Too many people have no retirement plan and, as we live longer, you need to make sure you are prepared.●

PENSION POT OF 45 YEAR OLD INVESTING £1,000 A MONTH*

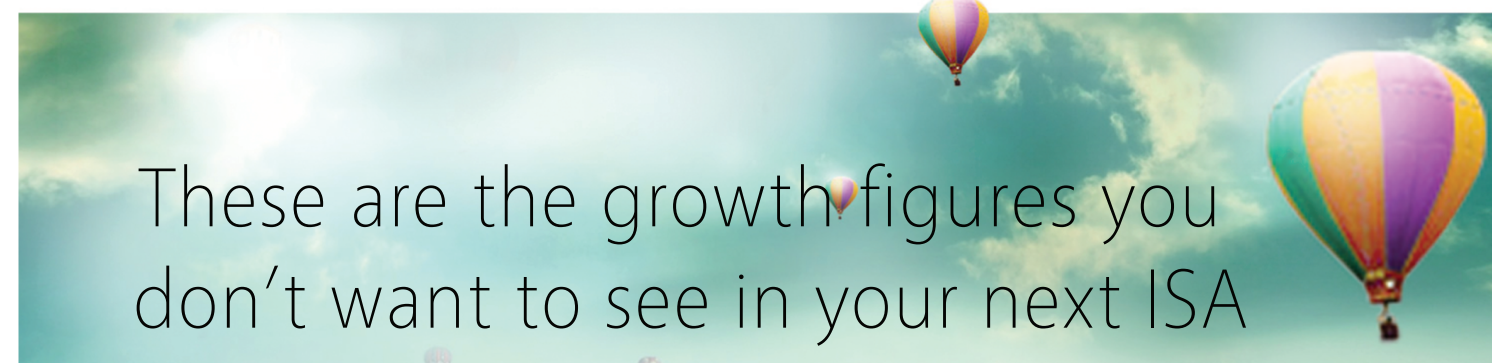
	Amount of cash invested each month	Actual investment made (pension tax relief applied at 40%)	Cash invested over 20 years (before tax rebate)	Pension pot assuming annualised growth of 6.5%
Pension	£1,000	£1,400	£240,000	£457,546
ISA	£1,000	£1,000	£240,000	£325,832

Source: Trustnet Direct

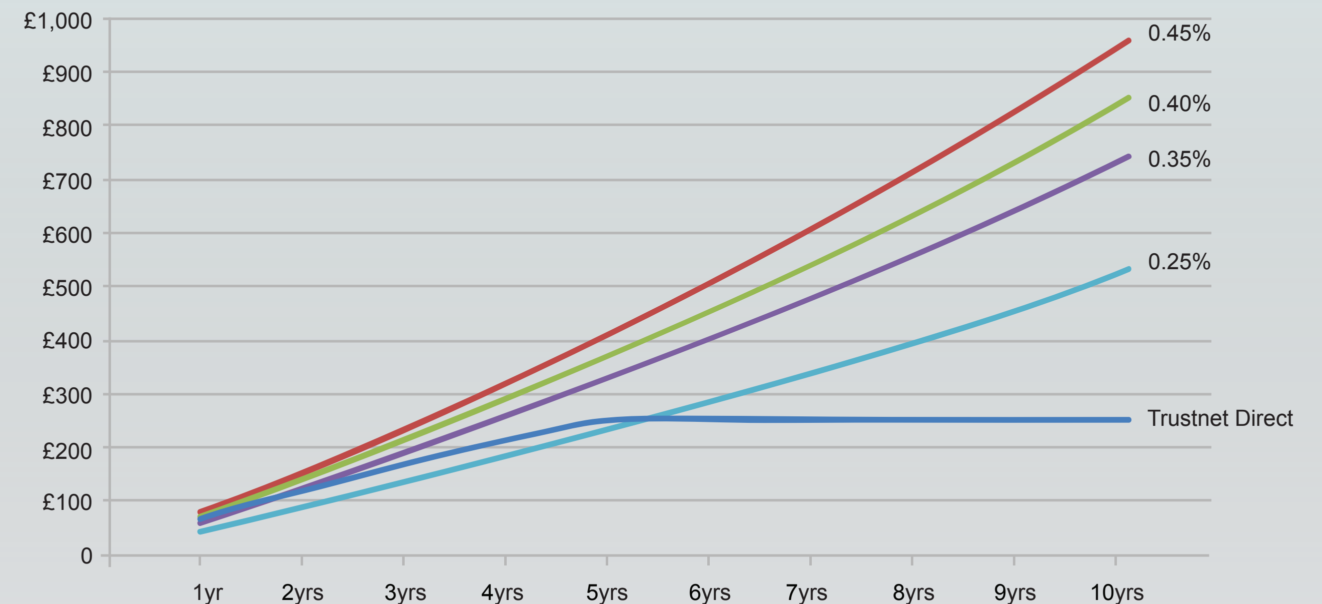
All calculations were conducted using Trustnet Direct's **retirement planners.**

The Trustnet Direct ISA is available **here.**

*Assumptions: A 45-year-old higher rate taxpayer contributing £1,000 per month to either a pension or ISA over 20 years, retiring aged 65, assumed investment growth of 6.5 per cent per annum. Does not include any additional costs for a personal pension (eg SIPP admin charges)



Annual Platform Fees over 10 years*



*The graph displays platform fees plus the cost of 5 transactions per annum with Trustnet Direct compared with platforms charging 0.45%, 0.40%, 0.35% and 0.25% per annum in platform fees. Assumes £15,000 new ISA limit invested each year for 10 years and assumes 5% growth net of charges.

The good news is that if you invest the new ISA limit of £15,000 per annum over the next 10 years and it grows at 5% per annum net of charges, you'll have built a nest egg of over £198,000 tax-free.

The bad news is that platform fees can seriously damage your wealth, as the chart above shows.

At Trustnet Direct, we charge 0.25% in platform fees but cap it at just £250 max per annum (£200 + 5 trades at £10 per trade).

We may not be the cheapest on day one, but when your investments grow, your charges don't.
So, if you want a premium platform, without the premium price tag, open your next ISA with Trustnet Direct.

Trustnet Direct does not provide advice on the suitability of investments. It is an execution-only service. If you are unsure about the suitability of investments, seek independent financial advice.

The price and value of investments and their income fluctuates: you may get back less than the amount you invested. Past performance is no guarantee of future performance.

Prevailing tax rates and relief are dependent on your individual circumstances and are subject to change.

Set your account up now at:
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STOCKPICKER

BEST OF BOTH WORLDS

Alex Wright, manager of Fidelity Special Situations and Special Values plc, highlights three defensive stocks that can now be classed as value trades

ONE OF THE MAIN SIDE EFFECTS of the 2016 rally in cyclicals is that more value is starting to appear in selected defensive stocks, which have less exposure to the performance of the economy. Although there is still a large gap in valuations between cyclicals and defensives, the picture is more nuanced than it was 12 months ago and stockpicking opportunities have become available in some classically defensive sectors such as healthcare, telecoms and even tobacco. I welcome this opportunity to give my portfolios a more balanced exposure and have recently increased positions in three traditionally defensive companies.

SHIRE IS THE MOST ATTRACTIVELY VALUED PHARMA COMPANY in Europe. Last year's purchase of Baxalta diversified its product range and reduced its reliance on ADHD drug Vyvanse, which goes off-patent in 2024. The other key concern is the increasing competitive pressure on its haemophilia franchise. Our due diligence suggests the market's assumptions here may prove too negative and doctors may stick with the existing Shire product. The highly cash generative nature of the business supports the extra debt it has raised to buy Baxalta. Fidelity estimates the stock trades at 11.5x next year's earnings, which seems low for a company that could deliver growth ahead of sector averages.

BT'S DIFFICULTIES OVER THE PAST YEAR have pushed its share price down more than 30 per cent. These include: the UK's largest pension deficit, a possible separation of Openreach, accounting irregularities in Italy, cost inflation in Champions League rights and downgrades in UK public sector contracts. We have worked through each of these and believe the outcome will be more benign than consensus expectations in many cases. Elsewhere, the core business is functioning well: recent broadband customer acquisition numbers show a key growth driver remains in place. BT trades at a 10 per cent free cash flow yield or 5 per cent dividend yield, making it the cheapest telecom stock in Europe.

SCANDINAVIAN TOBACCO GROUP

SCANDINAVIAN TOBACCO IS THE FIRST TOBACCO STOCK I have bought for my portfolios. Its leading competitive position gives it good pricing power in the structurally declining cigar market, which should let it keep sales flat over the medium term. However, following its spin-off from Swedish Match Group last year, it can improve operating efficiencies and cut costs, which should allow margins to rise closer to peers'. Regulatory headwinds, which the market views as a negative, could end up driving out smaller competitors, leaving the firm with a higher market share. A P/E ratio of 13x looks attractive considering those earnings could rise and peers trade on much higher multiples.

WHAT I BOUGHT LAST

VINACAPITAL VIETNAM OPPORTUNITY

4 Shires Asset Management's **Jeremy Le Sueur** says this trust's 19 per cent discount looks excessive considering Vietnam's explosive growth prospects

WE RECENTLY BOUGHT MORE SHARES in Vina Capital's Vietnam Opportunity trust, a London-listed vehicle that invests in listed and unlisted Vietnamese companies.

There are many reasons why we like Vietnam, which is classified by MSCI as a frontier market. It has a young, educated and growing population, a vibrant economy and is currently benefiting from inward investment due to its low labour costs. It also has a number of operational oil fields, which is helping to prop up its currency, the dong – this depreciated by just 1.6 per cent against the dollar in 2016 and has marginally outperformed its US counterpart so far this year. GDP growth stood at 6.2 per cent in 2016 and the momentum in the Vietnamese economy is likely to continue gathering pace.

The trust's major holdings include the largest dairy business in the country, Vinamilk, which accounts for 15 per cent of assets under management; and Hoa Phat group, a steel company that increased its profits by 89 per cent last year. Over their long track record of investing in Vietnam, the managers have built up an in-depth knowledge of the intricacies of how the domestic market operates. As a result, they recently refrained from participating in several brewery flotations due to the high valuations, accepting some short-term underperformance of the indices. They also work closely with the companies they invest in to help improve returns. A good example of this was the trust's involvement with Duoc Gai Hang (DHG), one of Vietnam's largest pharmaceutical companies, which it has held since 2004. As board members, the managers improved governance, increased transparency and brought in capital to help the business grow. Last year, Vinacapital co-ordinated the sale of a 24.7 per cent stake in Duoc Gai Hang to Taisho Pharmaceuticals of Japan for a 100 per cent premium to the prevailing share price at the time.

Charges for the trust are high at 1.5 per cent, with a 15 per cent performance fee subject to an 8 per cent hurdle, although this is limited to no more than 1.5 per cent of total NAV in any one year. But with such an active approach in a frontier economy, this seems fair.

The trust is currently trading at a 19 per cent discount to NAV, which appears excessive considering the growth prospects of the Vietnamese economy. There are geopolitical risks given China's aggressive stance in the South China Sea and Vietnam has been significantly re-equipping its armed forces with international purchases. However, it makes sense to look through this shadow, as Vietnam probably has decades of growth ahead of it.●

Jeremy Le Sueur *is the managing director of 4 Shires Asset Management*

APRIL PREVIEW

Tried and trusted

April's issue of Trustnet Magazine will look back at the history of investment trusts and find out what it is about these vehicles that made them equally suited to the 1800s as to the present day. Woodford Patient Capital takes the crown as the biggest ever launch of one of these products, but two years later it looks no closer to making a profit. Is the call for patience beginning to wear thin?

Our sector focus will fall on VCTs. These products offer generous tax breaks for long-term investors, but come with a host of risk warnings.