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Oct - Dec 2021

Get Investing.

Taking you on a journey from saving to investing

Growing your capital

Investing ideas to keep you ahead of inflation

Why retirees still need portfolio growth

Five themes to power your returns for decades

Stock picking and how to start

US: investing in capitalism's crown jewel

+ much more!

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Taking you on a journey from saving to investing

Note from the editors

Hi Investors,

A very warm welcome to issue 5 of Get Investing!

As the world emerges from the pandemic, inflation has been the talk of the town across the world of investing: rising 3.2% in the UK in August and 5.3% in the US. Three areas are pushing prices higher: a deluge of consumers splurging on cars and stuff for their homes, issues with deliveries due to disruptions in global shipping, and reopening service businesses like restaurants and hairdressers playing catch-up with prices following a grim year and a half of non-existent trading. As such, investing for inflation-busting returns has never been more important. This is why this issue is focusing on ideas for growth of your capital.

Faith Archer looks at the need for growth in your pension as an often-overlooked strategy given how long we now live in our pension years, and the added pressures to remain ahead of inflation. Ed Bowsher writes on the US market for growth, exploring where to find attractive ideas given the strong run in tech. And Cherry Reynard assesses five persistent growth 'themes' that may prove important as we emerge from the pandemic.

The Steps team also speaks to real life investor Elissa as she faces an extremely common financial challenge, and sees what tips financial adviser Felix Milton has for her. We take an in-depth look at the three mains styles of equity investing in value, growth, and income in our portfolio strategy piece. We speak to AJ Bell's Laith Khalaf to offer some broad tips for stock picking and suggested portfolio construction given its surging popularity. And we assess the PM and Chancellor's recent statement on encouraging investments in illiquid assets ahead of the launch of the Long Term Asset Funds, and point to why investment trusts are already fit for the job.

All of our editorial is independent! The only payments we receive are for the ads you see throughout the guide – **no commission** is paid to us on any funds discussed within the articles. All we want to do is find you cracking investment opportunities to help you grow your wealth, from experts we have spent our careers in investing getting to know.

If you want to keep up with what's going on, we have a bi-weekly podcast for updates on the markets and investor interviews, as well as a YouTube channel with bi-weekly tutorials to help you understand investing better.

Happy investing!

Marcus and Simon, Co-Founders

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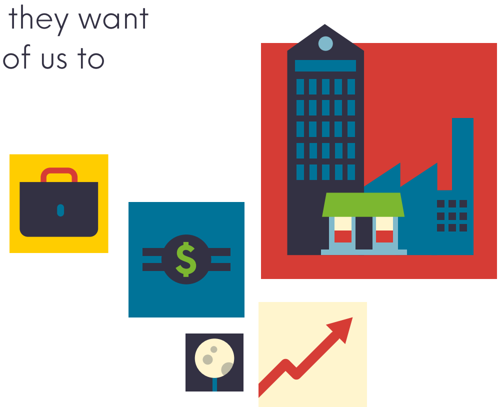
Investment beat: news from across the industry

By **Marcus de Silva**, Co-Founder at **stepstoinvesting.com**

The FCA wants to encourage us to invest £17bn

Recently, the Financial Conduct Authority – the investment industry's regulator – has both warned against the risk of investing and encouraged it in a single breath. On the one hand, they want more of us to invest rather than leave savings lying around, and on the other, they're trying to shield inexperienced investors from diving into highly risky investments.



Laura Suter, head of personal finance at AJ Bell, adds some colour: "The FCA's plan is to get almost two million more people to invest, as its research shows 8.6 million people currently have over £10,000 investable assets in cash and it wants to reduce that by 20%. If 1.7m people invested £10,000 in the stock market, that represents a £17bn influx of money to the investment market."

However, the FCA is also worrying about the risks the unwitting consumer is taking. In September, they announced a 3-year plan to help consumers better understand investment risk and the regulatory protections provided. They say they don't want to restrict investing, but rather make sure

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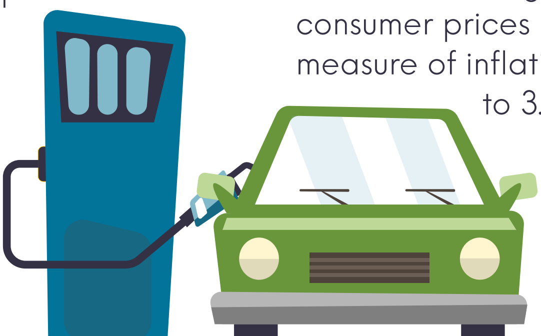
the line is defined between mainstream investments such as funds, and higher risk investments such as cryptos.

The taxman comes knocking

A raft of tax changes emerged in September, designed to fund the government's £12 billion plan to help clear the NHS backlog created by Covid and fund much needed social care reform. Not only were triple-lock rises in state pension payments abandoned for the time being – leaving increases for next year at either 2.5% or inflation, whichever is highest – the levy on dividends was also increased by 1.25%.

The effect will be felt by those who invest in dividend paying companies outside of their tax-free ISA or SIPP and have exceeded their tax allowances, or those who run their own businesses and pay themselves in dividends. It is expected to raise £600m for the Exchequer.



Don't forget your annual tax allowances if these changes do affect you – you can earn up to £2,000 in dividends tax free, on top of your personal allowance of £12,570.

Inflation bares down on savings

Having breathed some slight relief in July, August proved more concerning as the consumer prices index (CPI) measure of inflation leaped to 3.2%. It is now the highest in almost a decade, with January 2012 being the last time it was higher.

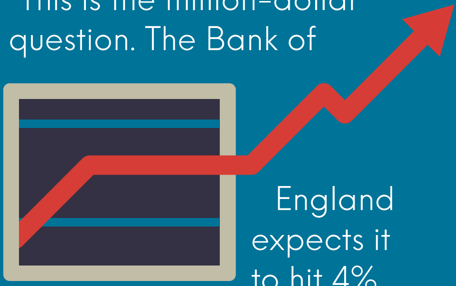
Income tax band	Old rate 21 /22	New rate 22 /23
Basic rate	7.5%	8.75%
Higher rate	32.5%	33.75%
Additional	38.1%	39.35%

AJ Bell's Laura Suter said: "A tricky combination of artificially suppressed prices last year due to lockdown, rising fuel prices, the ongoing high demand in the second-hand car market and supply issues have all combined to create a steep rise in prices in August."

Amongst the hardest hit are savers, with not a single UK savings account now offering an inflation-busting interest rate, according to data from MoneyFacts. This contrasts sharply to this time last year, when inflation was 0.2% and there were 661 deals that kept your money growing rather than eroding away.

The big question is where will inflation go next? Sarah Coles, personal finance analyst at Hargreaves Lansdown, responds:

“This is the million-dollar question. The Bank of



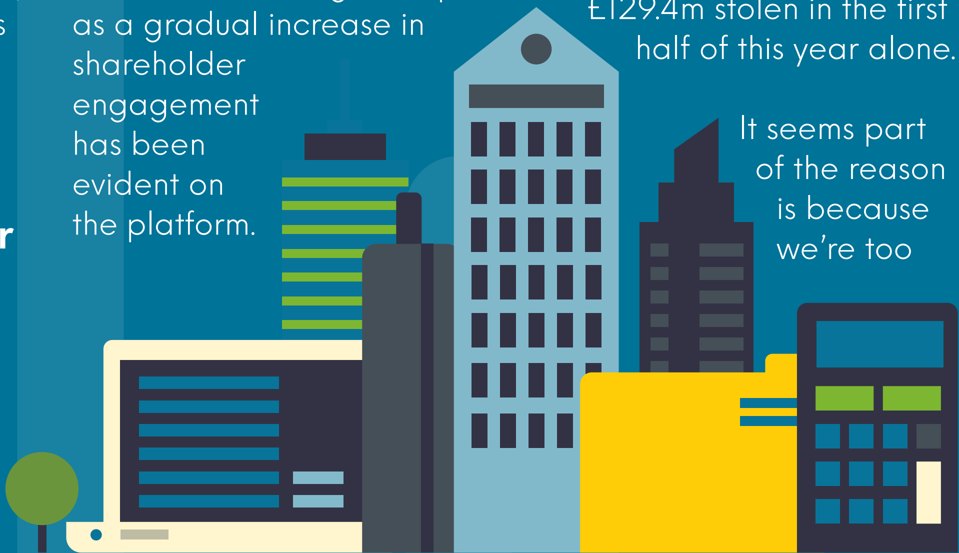
England expects it to hit 4% towards the end of 2021 and then drop, as the impact of the first lockdown and supply bottlenecks drop out of the figures. However, some of these trends aren’t going anywhere fast, and with warnings of prices rising, and supply chains creaking, there’s a risk some of this inflation is here to stay. There’s also the chance of possible wage rises as vacancies hit record highs, and when prices and wages feed into one another, the only way is up for inflation.”

Interactive Investor wins AIC shareholder engagement award

Important to the democratisation of investing has been the work investment platforms are doing facilitating and encouraging greater shareholder engagement, including shareholder voting, corporate actions and taking part in annual general meetings (AGMs). The winner of the Association of investment companies’ (AIC’s) shareholder engagement award, Interactive Investor, was praised by the judges for its commitment to shareholder engagement, with the platform providing a broad range of educational materials as well as actively promoting the benefits and importance of shareholders exercising their rights. It seems their work is having an impact as a gradual increase in shareholder engagement has been evident on the platform.

Brits too polite to say no to scam phone calls

Incidences of impersonation scams, where fraudsters pose as banks, police or other authorities, have risen by 122% in the past year, with £129.4m stolen in the first half of this year alone.



It seems part of the reason is because we’re too polite to say ‘no’. Research from UK Finance showed that more than 90% of people said ‘yes’ to people on the phone because they didn’t want to seem rude, making them putty in scammers’ hands.

A thumping year for retail investors

The first half of 2021 saw £24bn flow from retail investors like us into funds, according to the Investment Association – the trade body that champions the UK's £8.5 trillion investment industry. At near record levels, this year's taking alone represents one third of all capital in equity funds (investments in shares) since 2015.

It follows on a pattern that began last November, when investors shifted towards riskier assets in lockstep with news that Covid-19 vaccine trials had been successful for Pfizer, Moderna, and AstraZeneca.

Most of the money has been directed at actively managed funds, far outstripping passive index tracking products, even if ESG (environmental, social, governance) products are removed from the equation – the main driver of investments in active strategies.

Edward Glyn, head of global markets at data provider Calstone, explains: "Every couple of years, we have seen a period where investors take a greater interest in active funds than they do in their passive counterparts. The current switch of focus is particularly extreme, with August the third-worst month for passive funds in five years. Turnover levels for active funds are far greater than for their index-tracking counterparts relative to net inflows, however, and turnover is more volatile too. This reflects a greater trading mentality among investors when it comes to their active holdings, while passive funds typically sit more quietly in monthly savings plans."

One sector being notably punished, perhaps unfairly, is the UK equity income sector – funds investing in shares with the aim of capturing plentiful dividends. Up to end of July, the sector has seen 14 straight months of outflows, with investors yanking out £5bn, even as it chalks-up a 27.3% return against the FTSE-100's 18.3% for the same period. The reason is punishment for dividend cuts last year, despite their broad recovery since.

Want to find out more?

Click the button to sign-up to our free, 7 day quick-course: a hop, skip, and a jump through everything you need to know to get started with investing.

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Why retirees ignore investment growth at their peril

By Faith Archer,
financial journalist and blogger at muchmorewithless.co.uk.

Investment growth is the super power that can create a comfortable retirement – and keep it that way.

It's all down to the miracle of compound returns.

If you stash money in a savings account and earn a bit of interest, then every year you earn more interest not just on your original sum, but also on all the interest earned so far. Similarly, when you invest in the stock market, every year you hope for growth and

Video: What is compounding?

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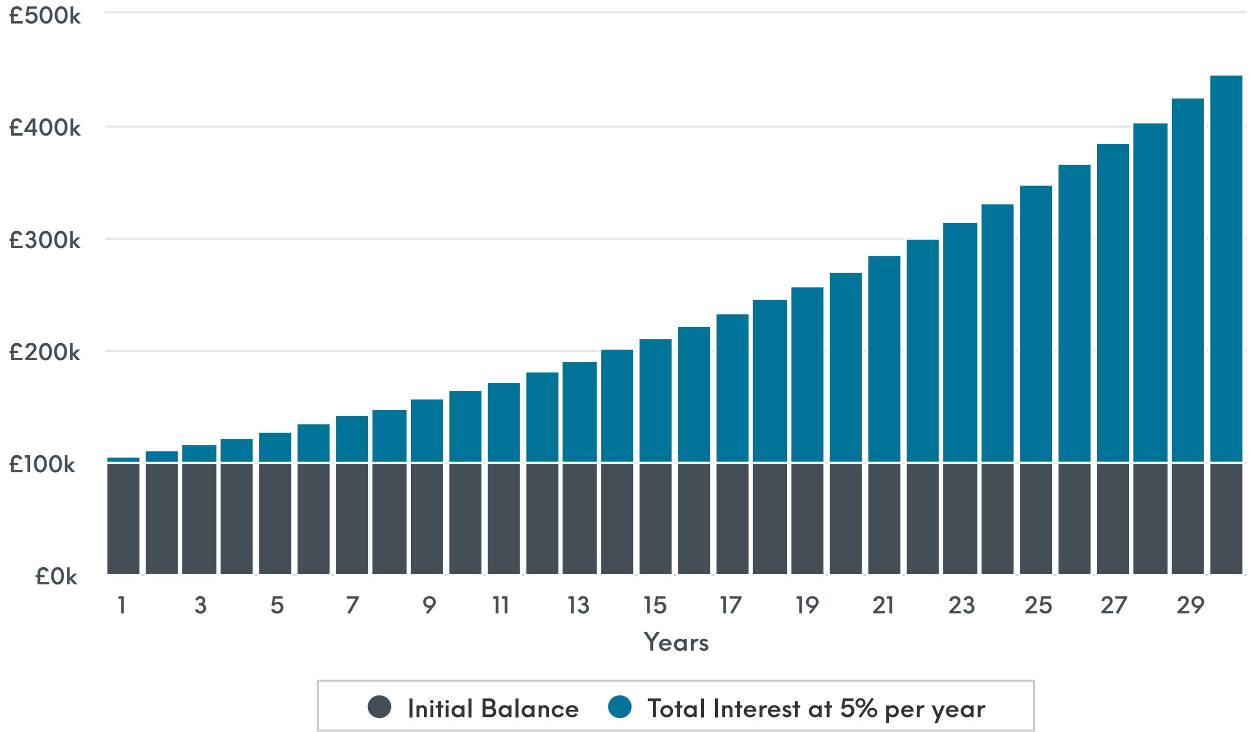
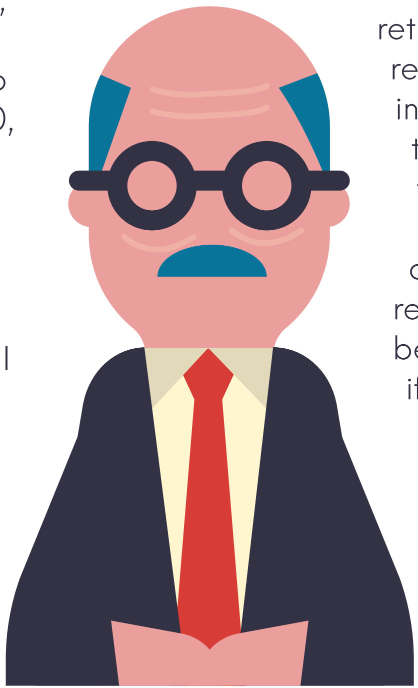


dividends from your original stake – and also from any new investments bought with previous dividends. Those extra returns mount up year after year, starting off small and then accelerating into a big difference.

Take the example of a £100,000 pension pot growing at 5% a year. It would increase by £5,000 to £105,000 in the first year, but then 5% growth on the larger sum during the second year would be £5,250.
Over 30 years, the growth would tot up to over £332,000, more than double simple interest at 30 x £5,000, generating a whopping total of £432,194.



Compound returns are vital for older investors too

Compound returns are often used to explain why it's important to start investing early, as over the decades they can transform small sums into a chunky total.

However, compound returns aren't just relevant for striplings in their twenties or thirties. Nowadays, they remain relevant for those approaching retirement and well beyond, particularly if you use a drawdown pension.

Keeping your pension invested

Changes to pension rules back in 2015 mean retirees are no longer forced to splash their pension cash on an annuity. Annuities provide an income guaranteed to last for a set number of years or the rest of your life – but annuity rates are really low right now.
Instead, you can choose to leave your money invested, and withdraw money as

and when needed, known as 'income drawdown' or 'pension drawdown'.

Previously, it was vital for people to strip out risk and gradually move their money into cash as they approached retirement. This shored up their pension pot ready to buy an annuity, so it couldn't be decimated by a stock market dip just beforehand. But with drawdown, a substantial part of your pension may stay invested for decades more.

How long does your pension need to last?

We often underestimate how long we might live, but the average life expectancy in the UK reached record lengths, pre-Covid. For those who make it to 65, life expectancy is 18.8 years for males and 21.1 years for females*. Many of us will live even longer – at 65, men have a 1 in 4 chance of reaching 90, while women have a 1 in 4 chance of reaching 94. You can check out your own life expectancy and probability of reaching 100 **here.**

The threat from inflation

Moving your pension into cash just before retirement leaves your money at the mercy of inflation. Inflation measures the increase in prices of goods and services over time, as for example you might see a pint of milk go up by a penny or two from one year to the next. While compound returns can do wonders for your pension pot, inflation works in reverse, gradually chipping away at what you can afford. Over lengthy periods of 20 to 30 years, inflation could destroy the purchasing power of your retirement savings pot.

The danger of de-risking too much

Retirees should therefore beware of waving growth goodbye, if they opt for drawdown.

Recently, inflation ticked up to a record high of 3.2%, way beyond the government's target rate of 2% per year – and way higher than the low rates available on savings.

Switching your retirement savings into cash therefore

About the author

Faith Archer is a personal finance blogger at Much More With Less as well as an award-winning personal finance journalist writing for various companies, charities, and national newspapers including the Financial Times, Sunday Times and Daily Telegraph.
muchmorewithless.co.uk

means your money won't keep up with inflation.

The traditional lower risk options of bonds (a type of loan) and gilts (government loans) are unlikely to keep pace with inflation either. So, with drawdown, you might need to stick with some stock market investments, to continue growing your pension pot.

Taking a balanced approach

Of course, you might not want to blow your life savings on super risky start-ups and the wildest frontiers of emerging markets.

Luckily, staying invested doesn't have to mean living on a knife edge. It's sensible to pursue a 'Goldilocks - style' growth strategy – not too much, not too little, but enough to generate a rising income while preserving the rest of your pension pot.

Opting for a mix of investments, spread across different assets, countries and industry sectors, can help beat inflation. You can then withdraw cash to live on either from shares or funds that pay an income, or by selling investments.

Protecting your pension

The risk of staying invested comes if the stock market falls, but you still need to continue making withdrawals.

If the value of your drawdown fund drops early in retirement, and you're forced to sell part while prices are low, it can be hard to recover losses when markets rise again. Choosing investments likely to deliver more stable growth, and less vulnerable to stock market storms, can help. It is also a good plan to keep a healthy sum in cash, equivalent to a couple of years' living expenses, so you won't have to raid your investments at a bad time.

** Source: ONS, as at 3/9/2021'*


The BMO
Lifetime ISA

How to pick stocks, well

By **Marcus de Silva**, Co-Founder
at **stepstoinvesting.com**

The appetite for selecting individual companies is increasing among private investors, according to recent data from AJ Bell. Daily volumes of retail stock trades are now twice that of two years ago – helped, in part, by the recent social media 'meme stock' craze and a growing army of 'armchair investors' powered by freely available information in the internet age. It's risky and racy, for sure, but the allure of potentially unchecked returns is drawing them in.

It does raise a few questions though. Much ado is made about the skill and training of professional stock pickers: the fund managers that run actively managed funds. So, can we – as humble private investors – realistically wander into this quagmire and achieve success?

In truth, yes – we can achieve success, and the first foray can be taken gingerly without having to plunge into the deep-end of risk and increase the chances of losing all of our money.

Start from the top

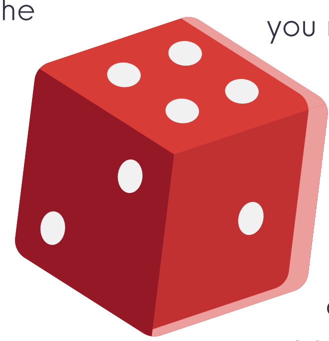
Broadly, investing in a company's stock involves knowing as much as you possibly can about the things that affect its value, which could mean big broad factors such as economic growth or changing interest rates, all the way down to much more granular company specific ones such as levels of debt or profitability.

To begin with, think about the markets in which you would like to go hunting for your stock picks. The health and state of the economy that a market is nestled within is important, as changes to big macroeconomic factors such as economic growth, interest rates, and unemployment will flow through to businesses and affect your investments. Developed markets such as the US and UK tend to be quite stable for these factors,

but the growth potential is also likely to be much lower when compared to emerging markets, such as India and China. Stock picking in the UK also comes with the home advantage of brands and businesses you are more likely to know.

Second, you need to consider the business sector you want to be in. Some sectors, for example utilities and healthcare, are more resilient to the cycles that economies go through – expanding and contracting – whereas others, such as financials and industrials, are more exposed.

Finally, consider the size of company you want to invest in. Smaller businesses, such as those listed on the UK's Alternative Investment Market (AIM), tend to be more exposed to what's going on domestically within an economy, whereas larger ones, such as those listed on the UK's main market of the London Stock Exchange (LSE), tend to have a more global reach and are therefore less vulnerable to downturns in a single economy. In addition, smaller businesses tend to have share prices that bounce around a lot (known as volatility), as their operations are deemed to be riskier.



Getting down to the picking

Marketplace identified, now you need to thoroughly research the companies. Plenty of information can be found in the places you buy stocks, such as share dealing services and trading platforms; but there's loads of other websites too, such as **Yahoo Finance**, **MarketWatch**, and **Morningstar** for free access, and Stockopedia, Motley Fool and ShareScope for more in-depth paid-for analysis.

Laith Khalaf, head of investment analysis at AJ Bell, the third largest UK investment platform, also thinks the London Stock Exchange website is extremely useful for locating a company's regular reports and accounts – which he describes as a "treasure trove of information". These are formal documents distributed through the stock exchange for investors to understand how the business has been performing over the previous year. They will include broad descriptions of a company's industry and its competitors, as well as audited financial statements that help you understand how it makes money. Laith describes some of the key things to look out for.

1. Profits

"One of the most important figures in a company's results is the Earnings Per Share (EPS) figure. This tells investors what profits the company is making for each share they hold.

There are two main ways to look at this figure. First, consider how it compares with prior periods to see if earnings are heading in the right direction, taking into account any one-off boosts or dents in profits that aren't repeatable. Second, divide the share price by the EPS figure to derive the Price Earnings (PE) ratio, which is a measure of how expensive the shares are compared to the profits the company generates. You might be willing to invest in companies with higher PE ratios if you think there are good prospects for those earnings to grow quickly."

2. Profit margins

"It's also worth looking at a firm's profit margin. A low profit margin means a company has little room for error or misfortune before slipping into the red, whereas a larger margin means the company is better placed to weather any storms while still

Top investing tips

Warren Buffett, the world's greatest investor

Firm: Berkshire Hathaway Inc.

Investment style: 'Value' investing

Investment performance:

£1000 invested in 1965 worth **£22m** today

Av. 20% per year for 56 years

Top investing tips

- Invest in simple businesses and get to know them well
- Look for those with an 'economic moat' – advantages that are hard to replicate
- High and rising profit margins
- Low or reasonable debt levels
- Strong returns on projects

Favoured financial metrics

- Invest for the long term Favoured financial metrics
- Low or reasonable valuations

Famous quote

- "It's far better to buy a wonderful company at a fair price, than a fair company at a wonderful price".
- "Our favourite holding period is forever".

Watch: Marcus delves into Warren's success

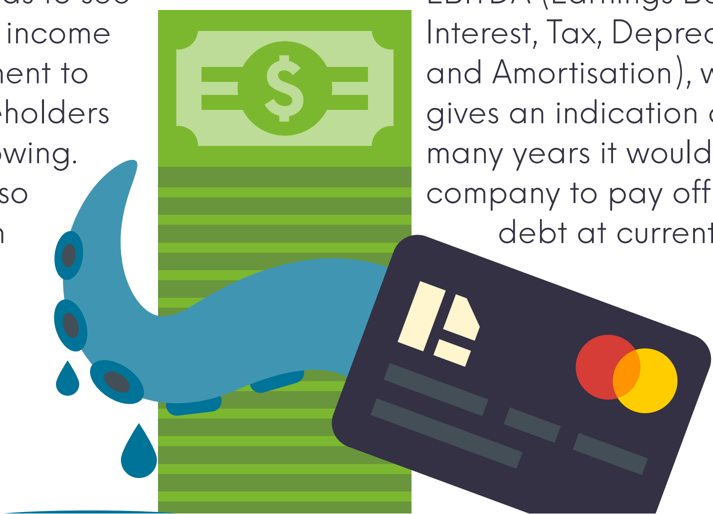
turning a profit. Bear in mind some industries simply have low margins, for instance supermarkets and construction. While it may be less of an issue for the former as consumer demand for groceries is relatively stable, construction projects can often run late or over budget, wiping out profits and leading to losses – precisely what happened to Carillion before it collapsed."

3. Dividends

"The dividend is another key figure in the reports and accounts for investors to mull, especially income seekers. Again, it's a good idea to compare it with previous periods to see if the income payment to shareholders is growing. It's also worth comparing the dividend per share to the earnings per share and considering how big a proportion of profits are being paid out as dividends. If it's a high percentage, it may be a sign that dividend growth is limited, or in extreme cases that the dividend is unsustainable."

4. Debt

"Investors should also pay heed to how much debt a company is carrying. In its annual results, net debt is the key figure here. Again, you can compare with previous periods to see if it's heading in the wrong direction, which could be a warning sign. You can also divide net debt by EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), which gives an indication of how many years it would take a company to pay off all its debt at current levels of profitability. Generally, a Net Debt to EBITDA ratio of less than 2 is considered healthy, and a ratio above 3 starts to raise eyebrows."



A great strategy for getting going

The risks involved in holding just a few stocks can be exorbitant – you're exposed to the fate of a tiny number of companies – however these risks can be easily reduced through diversification. Mixing up the markets, company sizes, and sectors aforementioned is the classic way to do this. But it can take time to properly diversify a portfolio and invest in a wide range of companies – on average, professionally managed funds hold anything from 30 to 100 stocks.

A good starting point is to hold a 'core' of diversified funds that will get you to your financial goals – be it cheap trackers or slightly more expensive actively managed funds and investment trusts – to which you can then add 'satellite' holdings in individual stocks. Over time, as you master the art of stock picking and become more confident (and hopefully wealthier), you can add more stocks to your portfolio and dial-up the risk you're taking if you want to bat for bigger returns.

Dealing with a tricky estate following the death of a loved one

By **Marcus de Silva**, Co-Founder at **stepstoinvesting.com**

Steps to Investing speaks to Elissa Lloyd, a fashion industry consultant, whose father sadly passed away recently and has left her with a complex estate to sort through to provide for her elderly mother; and Felix Milton, chartered financial planner at Philip J. Milton & Co., for him to give Elissa a steer and point to where an adviser can help.

Early life

Q: What have you done over your career?

A: So, I grew up in Chingford, North East London. Following my degree, I was offered a job in New York as a production assistant in the fashion industry, and stayed there for 7 years. I then returned to London, and have been working

Elissa Lloyd

in sourcing quality and ethical compliance ever since. I love it as I'm now running my own consultancy business helping brands develop and source their products in a responsible

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way, all from my home on the south coast.

Q: How comfortable are you with your finances?

A: Fairly comfortable, but early on, one of the things I struggled with was not paying into my state pension for 7 years. As such, on the back of a friend's advice, I set-up a private pension when I was in my twenties, and this has accrued a fair bit since. But I didn't understand much about how it worked as I had no one to advise me on how to invest properly.

Q: Did you continue to use that pension as you went on to work for other companies?

A: No - because I've been working for different brands, I have a number of different company pension schemes, which I will need to amalgamate at some point.

Q: Who deals with the finances in your household?

A: I do the day-to-day, but myself and my husband make the broader decisions

together. He finds investing interesting, but doesn't do much due to being quite time poor. It's very easy just letting these things tick over rather than sitting down and saying: 'let's make this investment and these are the reasons why'.

The estate

Q: How come you're suddenly having to deal with a complex financial estate?

A: Sadly, my father passed away recently, and my mum has inherited all of his investments in the UK, plus some property abroad. She isn't financially astute, so I've taken on the role of supporting her with it. What's difficult is: I have a huge file of paperwork – lots of numbers, lots of companies, lots of share certificates – all of which I really know nothing about. At the moment, I'm just sifting through it, trying to form a picture of all of the investments to gain an idea of, hopefully, what we should do next.

Q: Why are you finding it tricky understanding what to do next?

A: The firehose of information out there makes it very difficult to understand it all and work out the next move. This is compounded by my father's slight lack of organisation, given all the bits of paper, and the fact he didn't have a financial adviser.

Q: What are your goals for the estate?

First and foremost, to sort

all of this out and create a secure, stable income stream for my mum so she doesn't have to worry about her finances. I want to understand what to do with all of the investments and decide if we should keep them, combine them, or whatever is best. Then, as one of three sisters, to understand the best way to go about inheritance in the future and things like inheritance tax.

Felix, the adviser

Q: Felix, describe broadly what an adviser does for a client?

A: First, they will establish a relationship with the client to figure out what's going on and a questionnaire will be conducted to gather some of the hard facts, which are things that won't change, as well as some of the softer facts, such as attitudes to risk. Once the adviser has a good grasp of the client's needs and objectives for the future, they would go away, analyse it all, and come up with a financial plan.

Felix Milton

investments to buy such as maximising tax allowances and utilising tax wrappers, which the adviser can assist with. The adviser will also regularly review the plan to make sure it's on track to get you to your goals, and suggest any changes if there's any shortfalls. It could be that you need to work longer or save harder, or it could be good news in that you're in excess of your goals and can stop work sooner than thought.

Top Tip

If you can't find a recommendation, there are two websites that are a useful starting point:

https://www.vouchedfor.co.uk
https://www.unbiased.co.uk

Q: What's the best way to engage an adviser?

A: Most advisers will offer a free initial meeting, which gives you the chance to talk to a few to see which works best for you. One thing you could do is ask to speak to one of their existing clients and get a personal recommendation.

Q: How would you like to move this forward?

A: I think we need some advice. It feels complex and I'd like a professional opinion. I'm also doing the course with Steps to Investing, as I feel this will increase my knowledge base and hopefully arm me with the right questions when I do meet an adviser.

Q: Does the adviser do the investing, or can the client do it themselves?

A: Yes, the client can do it themselves, and the plan will point to the right areas to invest. But the plan will also have advice in excess of which

A steer for Elissa

Q: Felix, is Elissa's problem common for someone of her age?

A: Yes, very common! Parents might have been quite active in accumulating lots of different assets and speculating on shares, which can create a huge administrative burden on the survivor. And it's often the children that have to step in and help.

Q: What did you think of her situation?

A: She definitely needs advice, mainly, if anything, that she gets the paperwork done correctly. At the moment, she will be going through probate, which is the formal settling of accounts with HMRC. This will list all of the assets that he has left to Elissa's mum, and give a clearer picture of what is left. Of course, as a spouse, there's no inheritance tax for Elissa's mum to pay.

Q: Was there anything else that jumped out?

A: She tentatively mentioned inheritance tax implications in the future, and an adviser would want to consider this against her own financial position and whether she is relying on inheritance in the future.

I would also want to know a bit about her husband's situation too as she mentioned they make financial decisions together. I'd want to know where they see themselves going in retirement and whether they have a plan, as this will all feed into whether the pensions they have are appropriate for them, whether they're saving enough, and whether they're invested in the right places.

Elissa is also in a privileged position as a self-employed individual in that she can tailor her income to fund a pension, which is very tax efficient, and potentially having her husband as a director and funding a pension for him too.

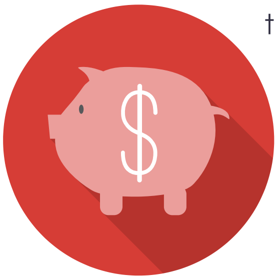
Portfolio strategy: three investing 'styles'

By **Marcus de Silva**, Co-Founder at **stepstoinvesting.com**

How would you go about developing a strategy to pick winning stocks, as fund managers must do? The sea of companies presented on a stock market is almost paralysing: given how far they've already come in the game of capitalism, all of them are winning to a certain extent. But as homogenous as a market may seem, history tells us that certain stocks are likely to perform more strongly than others, and that these stocks can be found via a set of defining characteristics. It is through the lens of these that fund managers seek investments.

The set of characteristics that a fund manager targets is known as their investment 'style' or 'philosophy'. Over the past century, only a handful of styles have emerged – great modern day investors have tended to refine them rather than redefine them; with some performing better than others over periods of time.

As such, knowing a bit about



the main styles helps us make more informed fund choices for our portfolios. It also represents the most interesting part of choosing investments: unravelling the strategic wrapper to see how the money is made.

Value investing profile

The value style centres on the premise of only investing in stocks that you deem to be 'cheap', or good 'value'. Naturally, the next question might be: how do you know if a stock is cheap? Enter Benjamin Graham, the 'father' of value investing. Some 90-odd years ago, the Columbia University academic, alongside colleague professor David Dodd, co-wrote Security Analysis, which described a radical new way of investing in stocks at that time. They proposed sifting through a company's finances, things like its sales, its profits, its levels of debt, and its assets; as well as taking a look at other factors like its brand, its business model and its marketplace, to figure out

Fund picks

Darius McDermott, Managing Director at Chelsea Financial Services and Fund Calibre

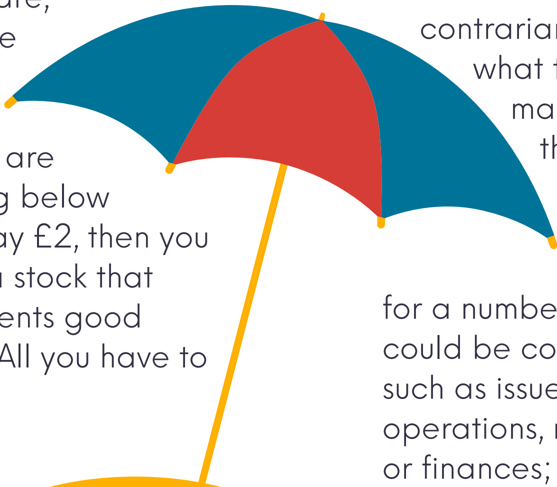
Two contrarian fund picks include **Jupiter UK Special Situations Fund**, and **Ninety One Global Special Situations Fund**. Both start by looking for shares that are out of favour and hence have underperformed and are cheap. Then, managers focus on the balance sheet and the company's ability to service their debts, etc – in an attempt to avoid 'value traps'.

Jupiter's fund is looking at UK large and mid-sized firms that are trading below their typical 10-year average profits. The manager has over 20 years' experience in running value strategies. In Ninety One's fund they start by looking for stocks that have fallen at least 50% from their highs. This leaves them with a list of stocks to do proper analysis on to understand why they have fallen so much and why they are out of favour. They run a concentrated list of around 30-35 stocks, which represents slightly more risk.

Darius McDermott

how much a company is worth – its intrinsic value.

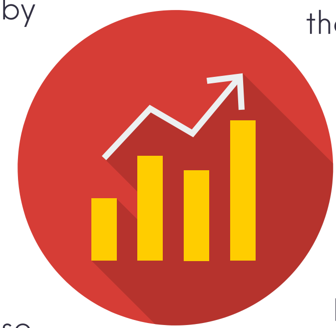
They argued that if you calculate this to be, say, £5 per share, and the shares are trading below it, at say £2, then you have a stock that represents good value. All you have to do is buy it and wait for the market to catch-up to your thinking and for the share price to rise, to then sell it and bag a profit. They said that by investing in a diverse portfolio of these sorts of stocks, you should lower your risk and produce strong returns over time.



It's worth noting that by the very nature of finding stocks that are cheap, value investors are often contrarian to what the market thinks. These stocks are 'out of favour', and may be so for a number of reasons. It could be company specific such as issues with its operations, management, or finances; or more sector wide, for example during the pandemic, when the entire travel & leisure sector got poked with the sharp end of the stick as the world shut its doors.

Growth investing profile

Growth is the sexiest of the lot – finding companies of the future that are growing at a far faster clip than their industry or the wider market. If value's daddy is Benjamin Graham, then growth's is either Philp Fisher, who promoted the style through his 1958 book Common Stocks and Uncommon Profits, or Thomas Rowe Price, founder of investment firm T. Rowe Price, which also heavily promoted the style.



The belief is that if you identify firms with strongly growing financials, such as

Profile

Common financial metrics:
Low: price / book value, price / sales, price / earnings

Danger:
what is known as the 'value trap' – where the price goes nowhere because there's a fundamental problem with the business i.e. they're cheap for a reason.

Investing advantage of 'value':
tends to boom when economies boom.

What's in the name:
'special situations', 'recovery', or indeed 'value' for proper contrarian investing.

Fund picks

Darius McDermott, Managing Director at Chelsea Financial Services and Fund Calibre

T Rowe Price Global Focused Growth Equity Fund is run by an experienced manager who uses the firm's bank of well over 100 analysts to seek out the best growth opportunities in both emerging and developed markets. This is an important resource, as is the manager's clear focus.

Baillie Gifford American focuses on the US market, which taps into high growth trends, and not just big tech but also areas such as medical tech.

Profile

Common financial metrics: High: price / earnings, earnings per share, profit margin, return on equity.

Danger:

valuation techniques will usually show these stocks to be 'expensive', as young companies may not be at the stage of delivering much profit, so share prices will seem high relative to earnings. High values leave you very exposed to steep share price falls off the back of failure. If the innovative product or service doesn't come off, you could be left holding a pancake.

Investing advantage of 'growth':

fairly resilient to economic cycles.

What's in the name: "growth', but also 'smaller companies' and specialist early stage strategies such as 'venture capital' and 'private equity' are sectors that tend to focus on growth companies.

rapidly expanding profits, profit margins, sales or revenues, it should translate into strong share price growth over time.

Often, companies are young and innovative, creating brand new services or products that, if successful, will either shake-up existing markets and disrupt incumbent players, or create entirely new sectors or even industries. Usually, something inimitable is in the offering, like a piece of new tech, which serves to economically protect the business and its profits into the future. For these reasons, the market opportunity also tends to be juicy. Think Facebook.

Income investing profile

Our final style is all about finding companies that pay strong and consistent

dividends – the income you receive from shares. Usually, these firms are mature or in more mature markets, so at the stage of generating a lot of cash. As growth and new project opportunities tend to be limited, the cash can be returned to investors in the form of a dividend.

The majority of investment returns therefore come from dividends, but share price growth is possible too if reliable income paying stocks become loved by income investors.

Warren Buffett – widely seen as the world's greatest investor - is particularly keen on strong dividend paying companies because it tends to show they're in rude financial health, and that management is confident the firm will continue to keep rolling off profits. The key measure is dividend yield, which is the dividend expressed as a fraction of the share price.

Investors don't just look for the highest yielding stocks however, as a dividend yield may look high because the price is low and the dividend is about to be cut.

Profile

Common financial metrics:
High dividend yield, low debt / earnings before interest, tax, depreciation and amortisation (EBITDA).

Danger:
companies are under no obligation to pay a dividend, unlike the interest on their bonds (debt). It means during times of financial stress, boards may decide to cut dividends to ease the pressure.

Investing advantage of 'income':
companies can quickly pass on any rising costs, meaning profits and dividends tend to be good at keeping up with inflation.

What's in the name:
'Income' or 'dividend income'.

Fund picks

Darius McDermott, Managing Director at Chelsea Financial Services and Fund Calibre

The City of London Investment Trust is a good core holding, run by the same fund manager Job Curtis for over 30 years now. The investment trust structure is attractive because they can hoard some income in the good years to enable them to continue paying out income if dividends get cut.

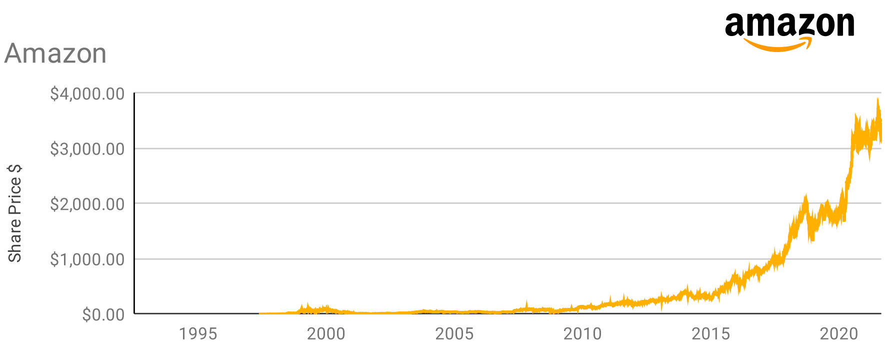
For a global bent, look to **Fidelity Global Dividend Fund.** The manager likes good quality companies with the potential to grow dividends, and also avoids over-paying for companies.

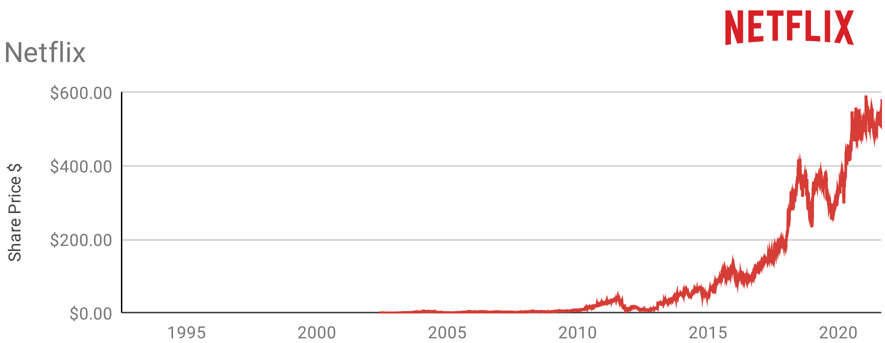
	What it's trying to do	Sector	Size	Manager(s)	Number Holdings	Risk & Reward (1-7)	Type
Jupiter UK Special Situations Fund	Capital Growth	IA UK All Companies	£2,015m	Ben Whitmore	41	6	Fund
Ninety One Global Special Situations Fund	Growth & Income	IA Global	£170m	Alessandro Dicorrado / Steve Woolley	75	6	Fund
T Rowe Price Global Focused Growth Equity Fund	Capital Growth	IA Global	£424m	David Eiswert	75	6	Fund
Baillie Gifford American Fund	Tracks Solactive Purpose Software ESG index	IA North America	£7,592m	Tom Slater /Kirsty Gibson / Gary Robinson / Dave Bujnowski	46	7	Fund
City of London Investment Trust	Growth & Income	AIC UK Equity Income	£1,744m	Job Curtis	83	4	Investment Trust
Fidelity Global Dividend	Growth & Income	AIC UK Equity Income	£2,506m	Daniel Roberts	48	5	Fund

Investing for growth in US markets

By Edward Bowsher,
Financial journalist

The US is the centre of growth investing. The best-known growth stocks are in the US, and most of the largest ones are there too.
Stocks like Amazon, Facebook, Netflix, Starbucks, and Tesla have delivered amazing returns for investors over the last decade. They've been true growth stocks: looking expensive at first glance for many years, but delivering sufficient revenue and profit growth to justify ever-higher share prices. So far anyway.





stepstoinvesting.com

Source: Macrotrends.net, as at 2/9/21

Let's look at three examples:

These three companies have all been superb performers and it's worth remembering that unlike Amazon and Netflix, Starbucks isn't even a technology stock. In the US, we see innovation in so many sectors of the economy. There's something in the economic DNA of the US that supports new ideas and growth.

We can see a wider story with the Nasdaq 100 index. Most of the companies in this index are growth stocks and the index has risen almost eight times over the last decade.

Other countries and regions of the world have some great growth stocks, but no other market matches the depth of quality growth stocks found in the US.

That said, there are downsides to investing in US growth stocks right now. Trouble is, even by the normal standards of growth stocks, the US growth market looks pricey.

A lot of growth is priced in that their valuations are vulnerable if markets crash.

Also, don't assume that all of today's global titans will still dominate the world economy in ten or twenty years' time. New companies may emerge with new innovations, and it's at least possible that one or two of today's titans could be displaced by an upstart.

So what should investors do?

Firstly, invest for the long-term. A ten-year investment horizon makes sense for investing in US growth. Then if markets did fall in, say, 2022, you'll have plenty of time to recover those losses and get a decent return over the whole decade. Granted, you might argue that it's best to wait for that market crash and invest in US growth stocks then – however, those anticipated falls may never happen.

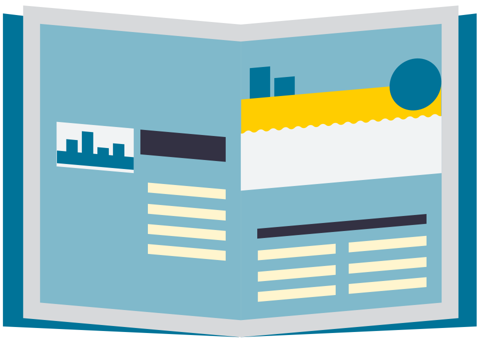
Secondly, diversify. It's very easy to get excited by a couple of growth stocks and then get carried away and invest too much. If you don't diversify, you'll take on too much risk.

And finally, don't just invest in the tech titans such as Amazon and Apple. Even if they continue to dominate their markets, there's a limit to how far they can grow given their already enormous size. By all means get some exposure to these titans, but also put some money in smaller growth stocks that have more room to grow. The best way to achieve all this is to invest in some US growth ETFs and investment trusts. Here are some suggestions:

1 Invesco EQQQ Nasdaq-100 UCITS ETF

The Nasdaq 100 index mainly comprises stocks in technology, telecoms, retail and biotech. It will give you plenty of exposure to the titans that we've mentioned. Apple comprises 11% of the ETF and Microsoft follows close behind on 10%.

This Invesco ETF tracks the performance of the index at a fairly low 0.3% charge. It's a physical ETF which means the fund invests in the underlying stocks in the index rather than use options to replicate the Nasdaq's performance. Following a physical approach reduces risk.



2 Baillie Gifford US Growth Trust

This is an investment trust where fund managers select a range of growth stocks for the trust. It was the best performing investment trust in the whole market in 2020, which was at least partly down to a big bet on Tesla. The trust cut back its Tesla holding in February, and its biggest holding is now Shopify, which helps small retailers build their own websites.

Although Amazon is the second largest holding, there are other less well-known stocks in the trust's portfolio which tells us that the trust's managers are making their own calls and not hugging the Nasdaq. That's as is should be – there's no point in paying the trust's 0.75% annual charge otherwise.

	What it's trying to do	Sector	Size	Manager(s)	Number Holdings	Risk & Reward (1-7)	Type
Invesco EQQQ NASDAQ- 100 UCITS ETF	Track the largest 100 companies on the Nasdaq stock market.	Morningstar US Large Cap Growth Equity	$6,458m	No manager	100	6	ETF
Baillie Gifford US Growth Trust	Capital Growth	AIC IT North America	£1,058m	Barry Robinson / Kirsty Gibson	70	5	Investment Trust
Allianz Technology Trust	Capital Growth	AIC IT Technology & Media	£1,434m	Walter Price / Mike Seidenberg	69	5	Investment Trust
HANetf Purpose Enterprise Software ESG-S ETF SOFT	Tracks Solactive Purpose Software ESG index	Trustnet global ETF Equity - Tech, media & telecom	$1.08m	No manager	54	7	ETF

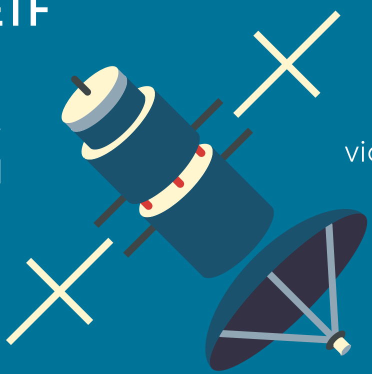
3 Allianz Technology Trust

This is another actively-managed trust where the managers pick the stocks. In one respect, it's wider than the Baillie Gifford trust in that it doesn't just invest in US stocks – 78% of the trust is invested in US-listed companies. The trust has delivered decent performance with a 310% rise in the share price over the last five years and the annual charge is 0.8%.

Surprisingly, the trust has a fairly wide 7% discount. This means the trust's share price is 7% lower than the value of the underlying investments in the trust. In current buoyant markets, you might expect the discount to be smaller.

4 HANetf Purpose Enterprise Software ESG-S ETF

This is a smaller ETF that focuses on software and the continuing shift to the cloud. The fund has sizeable stakes in some exciting but relatively small companies that have room to grow. These include Sprout Social, which helps businesses manage their social media operations more effectively. You could use this ETF to balance your exposure to the titans via the Invesco Nasdaq ETF.



Be careful though – the risk is higher here. The ETF was only launched this summer, so there's no track record. There's also a risk that it will be closed down if it if it doesn't attract enough funds from investors over the next couple of years. (Investors will still get their money back if that happens, based on share prices at that point.) The annual charge is 0.59%.

About the author

Ed Bowsher is a freelance financial journalist who has been investing since 1997. His previous jobs include Deputy Editor of MoneyWeek magazine and Editor of The Motley Fool UK. He also used to present several programmes on Share Radio. As a freelancer, he's written for the Financial Times, MoneyWeek, ETFStream and others.

Five growth 'themes' that could power your returns for decades

By Cherry Reynard
Financial journalist

If the pandemic made you realise you wanted to quit your job and become an artist/landscape gardener/chef, you are not alone. The crisis prompted considerable soul-searching from governments and businesses as well. The reassessment is producing a number of clear trends: growth-focused investors should take note.

Investing on the basis of themes isn't a guaranteed win, but it is unquestionably easier for companies involved in specific industries to grow. As such, looking for persistent themes in the global economy should give investors a natural advantage. Here are five themes that may prove important as the world emerges from crisis.

Healthcare

Most developing countries have ageing populations, even after the pandemic has taken its grim toll. The United Nations put the global population of over-60s at 962 million in 2017. By 2050, it expects that to have risen to 2050. Given that age and infirmity tend to go hand in hand, healthcare has long had a natural growth path. Western lifestyles have taken their toll in other ways, with the obesity epidemic also putting a strain on healthcare systems globally via disorders such as diabetes.

The pandemic has forced governments globally and policymakers to re-examine their healthcare systems, which, in many cases, have proved unfit for purpose. There is a sense that many are creaking and inefficient. This reappraisal is likely to create real opportunities for those companies with technology solutions to improve efficiency, from online doctors' appointments to the use of AI for diagnostics.

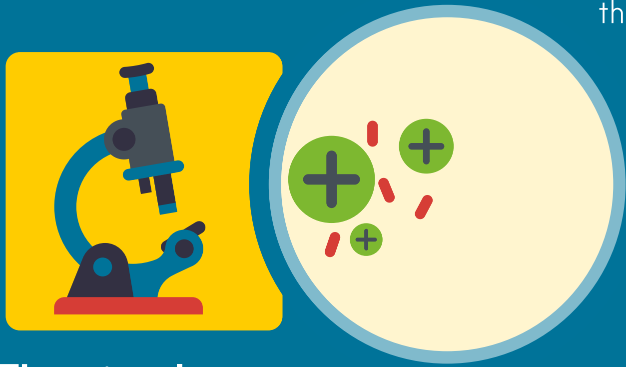
The pandemic has shown what is possible through the use of data – the Moderna vaccine was famously developed in just two days. There is also a pronounced trend in consumer healthcare. Rather than healthcare simply treating people when they are sick, people are increasingly inclined to take charge of their own health. This may be through the use of wearables, which collect health data, or through health foods and exercise programmes. The market is now $200bn in size and growing fast.

Fund Ideas

Active:
Polar Capital Healthcare

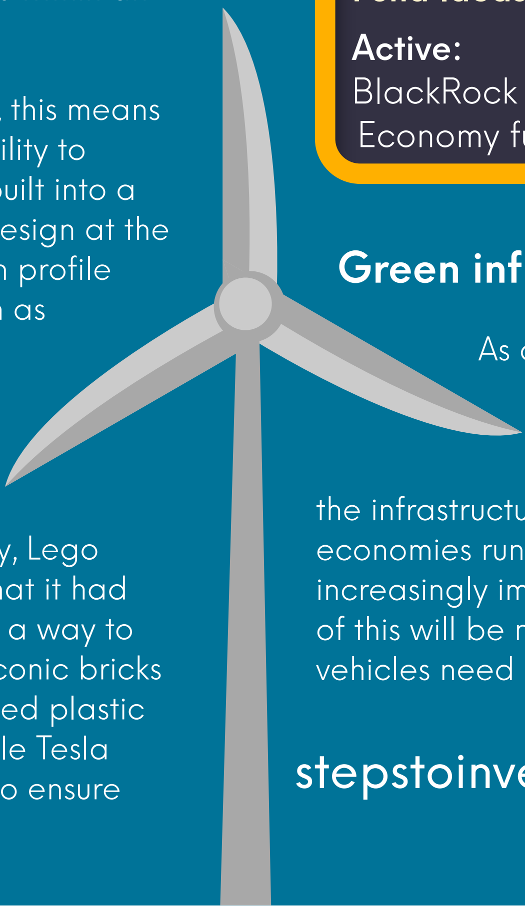
Passive:
iShare Healthcare Innovation UCITS ETF USD

Racy:
The Biotech Growth trust



The circular economy

In a traditional linear economy, products are bought, consumed and thrown away. The circular economy is based on three key principles: to eliminate waste and pollution, to keep products and materials in use and to regenerate natural systems (source: Ellen Macarthur foundation). It strives to promote the continuous flow of materials within an economy.



In practice, this means that the ability to recycle is built into a product's design at the outset. High profile names such as Lego and Tesla have been pioneers in this area. In July, Lego revealed that it had discovered a way to create its iconic bricks from recycled plastic bottles, while Tesla is working to ensure that its cars and batteries can be fully recycled at the end of their (first) life. Innovative companies have shifted their mindset to think about the end of a product's life in the manufacturing process.

This is a trend likely to build traction over the longer-term, particularly as government 'green' initiatives are implemented. A number of funds have emerged specialising in those companies involved in the circular economy. This includes conventional recycling groups such as Veolia, innovative consumer products companies such as Nike or L'Oreal or scientific innovators such as Agilent.

Fund Ideas

Active:
BlackRock Circular Economy fund

Green infrastructure

As countries move towards net zero targets, 'greening' the infrastructure on which economies run will become increasingly important. Some of this will be new – electric vehicles need a new charging infrastructure, for example – and some of this will be upgrades. For example, eliminating energy wastage by upgrading pipelines can be as important as the moves to renewable energy.

There are huge amounts of money being thrown at the problem. President Joe Biden's $2 trillion infrastructure package will have a significant focus on green assets. It includes plans to install half a million charging stations across the US by 2030, plus capital to retool factories. Similar initiatives are being implemented in the UK and Europe under their own 'green deal' initiatives.

Fund Ideas

Active:
iShares Smart City Infrastructure UCITS ETF
Passive:
Ecofin Global Utilities & Infrastructure Trust Plc

Cybersecurity

Cyber-crime is big business: if it were an economy, it would be the third largest in the world after the US and China. It is predicted to growth to $10.5 trillion by 2025, equivalent to 15% a year.

Addressing cybersecurity risks is a necessity for governments, institutions and businesses as hackers become more sophisticated and ambitious. Equally, as businesses digitise, moving more sensitive information to the cloud,

it creates vulnerabilities. Sensible businesses recognise that it is not worth economising on cybersecurity if they want to preserve their reputation, their intellectual property or their clients' data. Corporate spending on cybersecurity is rising fast

and is likely to exceed $1 trillion by the end of this year. As hackers become more sophisticated, it creates a significant opportunity for companies that can provide solutions.

Fund Ideas

Active:
Allianz Technology Trust
Passive:
L&G Cyber Security ETF

The new consumer

Rising wealth in developing economies has created demand from a new generation of middle class shoppers. The numbers are vast, given the size of population and the fact they are starting from a low base. For example, data from the Chinese government says

China's online retail sales reached 6,113 billion yuan (equivalent to £696bn), year-on-year growth of 23.2%. Admittedly, the pandemic has derailed consumer growth for some emerging markets, but even in areas such as India, which have been hit hard by the virus, retail sales are now 70-80% of their pre-pandemic level.

In a recent white paper, Mirae Asset Management outlined the scale of the opportunity: "The number of middle class consumers in the emerging markets will reach 2.3 billion by 2020; this is compared to 77 million Baby Boomers in the U.S. — a generation widely acknowledged to have had a profound and lasting impact on both economic output and domestic consumption in the developed world...Global consumption is forecast to reach $62 trillion by 2025, twice its 2013 level, with half of this increase coming from the emerging markets."

The trend is clear, particularly in China, where the growth of a consumer economy is an explicit growth target for the government. This trend was big news a few years ago, but emerging markets have fallen out of favour. It is therefore possible to pick up some consumer names considerably cheaper than before.

Fund Ideas

Active:
JP Morgan Global Consumer Trends fund

Passive:
iShares MSCI EM Consumer Growth ETF

Racy:
Fidelity China Consumer fund

About the author

Cherry Reynard is an experienced financial journalist, working across national, consumer, and trade titles, including the Financial Times, the Daily Telegraph, Citywire, and Money Marketing. She is six-time winner of the Investment Management Association's freelance journalist of the year, and four-time winner of the Association of Investment Companies' freelance journalist of the year.

	What it's trying to do	Sector	Size	Manager(s)	Number Holdings	Risk & Reward (1-7)	Type
Polar Capital Healthcare	Capital growth	IA Specialist	£2,183	Gareth Powell	46	6	Fund
iShare Healthcare Innovation UCITS ETF USD	Track investments results of STOXX Global Breakthrough index	Equity Healthcare	$2,585m	BlackRock	197	6	ETF
The Biotech Growth Trust	Capital growth	AIC Biotechnology & Helathcare	£523m	Geoffrey Hsu	92	5	Investment Trust
BlackRock Cirular Economy Fund	Growth & Income	N/A	£2,176m	Evy Hambro, Olivia Markham, Sumana Manohar	50	6	Fund
iShares Smart City Infrastructure UCITS ETF	Track investments results of STOXX Global Smart City Infrastructure	Equity Infrastructure	$305m	BlackRock	184	6	ETF
Ecofin Global Utilities & Infrastructure Trust Plc	Income & Growth	AIC Infrastructure Securities	£194m	Jean Hugues De Lamaze	43	5	Investment Trust
L&G Cyber Security ETF	Track performance of the ISE Cyber Security® UCITS Index	Equity Technology	$3,046m	GO UCITS ETF Solutions Plc	57	6	ETF
Allianz Technology Trust	Capital growth	AIC IT Technology & Media	£1,434m	Walter Price / Mike Seidenberg	69	5	Investment Trust
Invesco Global Consumer Trends Fund	Capital growth	Equity Consumer Goods & Services	£7,231m	Ido Cohen / Juan Hartsfield	83	6	Fund
iShares MSCI EM Consumer Growth ETF	Track performance of the MSCI ACWI Emerging Market Consumer Growth Index	Equity Consumer Goods & Services	$95m	BlackRock	402	6	ETF
Fidelity China Consumer Fund	Capital growth	China / Greater China	£333m	Hyomi Jie	58	6	Fund

Why the government wants us to invest in 'illiquid' assets

By **Marcus de Silva**, Co-Founder at **stepstoinvesting.com**

The Prime Minister, Boris Johnson, and the Chancellor of the Exchequer, Rishi Sunak, wrote a letter this summer calling on professional investors to unleash a 'big bang' in investments in long-term, illiquid assets in the UK.

They want investors such as pension funds to help power the economy out of its Covid-induced slump and build 'Build Back Better' its infrastructure following years of under-investment, including in green assets such as low-carbon infrastructure and clean energy to ensure Britain meets its carbon-neutral target in 2050.

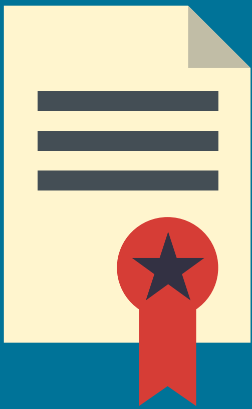
Striking at two policy goals with one political ambition, the government also wants to bring private retail investors like us along for the ride – giving us greater access to the same opportunities in illiquid assets that professional

What are illiquid assets?

An asset that cannot be quickly sold for cash without incurring a significant loss of value. This includes assets such as residential and commercial property, infrastructure, private shares and bonds, unique assets like antiques, and so forth.

investors have.

There are two opportunities in particular. First, investors tend to be rewarded with higher long-term returns, known as the 'illiquidity premium', due to the difficulties in valuing and trading the assets. Second, prices tend to move in different directions to mainstream assets such as shares and bonds, diversifying investments into 'uncorrelated assets' that should behave differently from the rest of a portfolio. In a similar vein, diversification opportunities in alternative sources of income are attractive for those drawing on a pension.



To help move these goals along, the government is pushing to get a new type of fund launched this year – the Long Term Assets Fund (LTAF). It will have far fewer investment restrictions than regular funds, allowing wide-ranging access to sectors such as private equity, private bonds, venture capital and green infrastructure.

The catch will be that if you want your money back, there's some waitin' to do. This could be 90 or 180 days, or potentially even longer depending on the assets. But it will ensure the manager can align the fund's redemption (withdrawal) period with difficulties in trading the assets, and thus avoid 'another Woodford' – the implosion of Britain's most famous investor Neil Woodford's fund on account of illiquid positions which became disastrously mismatched to mounting daily redemptions.

Do I have to wait?

In truth, options already exist for retail investors. They're called investment trusts (see box).

The reason why the government isn't discussing investment trusts so much is because professional investors are loathed to buy them in large amounts – sizeable trading activity can substantially move the price and premiums and discounts of investment trusts shares and create headaches, hence the need for LTAFs. For private investors though, trades are nowhere near large enough to create these issues, leaving a multitude of attractive features to fawn over: independent management boards, accessible shares, a long-term capital structure, a reserve to smooth income payments, and the potential

Video: Investing through funds and investment trusts

for leveraged returns where trusts utilise extra borrowings. It's why they're often described the industry's best kept secret. Indeed, many fund managers choose to use them for their own personal investments.

Where can I look?

There are plenty of investment trusts which offer a route to illiquid assets. Here, with a little help from our friends at AJ Bell, we have a few suggestions (not recommendations!) in some illiquid asset classes. Keep in mind: the illiquidity 'premium' comes at the cost of taking greater risks. These are long term investments.

How are investment trusts different to funds?

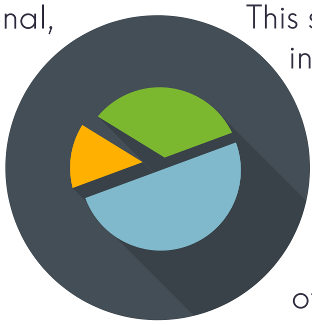
Darius McDermott, Managing Director at Chelsea Financial Services and Fund Calibre

- Investment trusts have a fixed pool of money to invest, with their shares traded separately on a stock exchange.
- The performance of the invested capital largely dictates the price of the shares.
- Complexities arise because the price of the shares can differ from the value of the underlying investments, trading at either a 'premium' to the assets' value if the shares are in high demand, or at a 'discount' if they are less so.
- If investors want in, they simply buy shares from another investor; if they want out, then vice-versa.
- Because trading of the trust's shares doesn't affect the money the fund uses to invest, and no assets need to be sold to fund redemptions, they are well-suited for illiquid assets.

Private equity

Private equity represents investments in earlier stage companies not yet listed or quoted on stock exchanges. Given that private markets for shares have ballooned over the past two decades as companies have sought to avoid the red tape of public markets, there are plenty of opportunities lurking. Returns are realised when companies are listed or sold to other companies, which tends to be a timeframe of at least five years or longer. One suggestion might be Pantheon International, for a global 'fund of funds' portfolio of private equity assets.

Infrastructure



This sector is about investments in the economic arteries that underpin our lives, including road, rail, ports, airports, and all manner of wires and pipes in telecoms and utilities. We have underinvested in infrastructure for many years – about 40 years according to the OECD – so it seems the government is on track for a long catch-up period.

One particular advantage is that these assets often pay-out income that's explicitly linked to inflation measures - useful given the potentially higher longer-term inflationary environment we may be facing. You might consider 3i infrastructure if you want to focus on the UK and Europe. In the green space, there is a bulging AIC renewable Energy Infrastructure sector. The Renewables Infrastructure Group looks at solar and wind across Europe and the UK, and there's Greencoat UK Wind for...well, it says what it does on the tin.

Property

Property includes both commercial and residential property, or more specialised types of property, such as healthcare or logistics hubs. Regular funds have tripped-up in this sector in recent years given how illiquid property is – crises tend to draw out fund suspensions to protect remaining investors, which locks them in.

Investment trusts can be great here as shares are traded separately from their investments. The share price 'discount' may widen, but investors have routes to get out if they wish.

Many private investors also like this asset class because it's relatable and understandable, and property funds offer the ability to diversify widely across the sector with some added inflation protection for your income too. You may also notice a variation in the fund structure for this sector – property

	What it's trying to do	Sector	Size	Manager(s)	Number Holdings	Risk & Reward (1-7)	Type
Pantheon International	Capital growth	AIC Private Equity	£1,759m	Pantheon Internatonal Plc	-	5	Investment trust
Renewables Infrastructure GrouP	Income	AIC Renewable Energy Infrastructure	£2,397m	InfraRed Capital Partners	75	4	Investment trust
Greencoat UK Wind	Income	AIC Renewable Energy Infrastructure	£2,656m	Stephen Lilley / Laurence Fumagalli	38	4	Investment trust
UK Commercial Property REIT	Income & Growth	AIC Property UK Commercial	£993m	Will Fulton / Jamie Horton	36	5	REIT
Tritax Big Box REIT	Income & Growth	AIC Property UK Logistics	£4,033m	James Dunlop / Mark Shaw	-	5	REIT
Octopus Titan VCT	Income & Growth	AIC VCT Generalist	£1,052m	Jo Oliver / Malcolm Ferguson	86	3	VCT

investments are often made through a Real Estate Investment Trust, or REIT. One for consideration is UK Commercial Property REIT, by Aberdeen Standard Investments, or, for a more specialised bent, Tritax Big Box REIT, focusing on facilities and land for logistics.

Venture capital

Not for the faint hearted, venture capital refers to investments in very early stage businesses – earlier than private equity. Shares tend to be unquoted and private, although some venture capital looks at the alternative investment market (AIM), which is London's 'junior' market for very small, high growth businesses. As such, it means high risk, but the specific fund structures offer very generous tax breaks to limit the impact of potential loses.

Venture Capital Trusts (VCTs) are another specific fund structure to this sector. They are similar to investment trusts, but with no capital gains tax, and added tax relief. One to look at might be Octopus Titan VCT. Enterprise investment scheme (EIS) funds offer similar tax breaks by investing in EIS eligible companies, which are even earlier stage than VCT investments.

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