

News Release

Schroders' Brookes shares his 2016 ISA tips

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With the deadline to use your ISA allowance fast approaching on 5 April, Schroders' Head of Multi-Manager, Marcus Brookes, shares his views on some of the funds he is currently looking at for his portfolios.

UK Equities

Investec UK Special Situations

"Alastair Mundy has managed this fund for more than 10 years. He has a contrarian value bias, which we think is attractive at this stage of the economic and market cycle. Broadly speaking, the value investment style has been out of favour and underperformed growth over the last five years. However, we are starting to see an environment in which we think value investing could make a comeback.

"Recent performance on the fund has been slightly disappointing. This is partly a result of the fund manager slowly buying into the commodities and materials sectors over the last couple of years, in which time they have struggled. But we think the potential in this portfolio could be about to be realised and it has already been adding value in what was a rough start to 2016 for markets. This fund has become an important holding across our Schroders Multi-Manager funds."

Ardevora UK Income

"Ardevora is a boutique asset manager that we like very much and this fund is run by Jeremy Lang, an investor who built a strong reputation at his former company Liontrust. This fund is rather different to the Investec offering, in that it is managed with a growth bias. However, unlike many growth-oriented funds, this one invests away from the dull, mega-cap stocks and favours mid-caps and large-caps."

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Fixed Income

JPM Income Opportunities

“We have an underweight exposure to most areas of fixed income. However, the high yield (i.e. non investment grade) segment of fixed income is becoming interesting after a period of sustained weakness and we think valuations are beginning to price in higher levels of defaults than we expect. The sector also offers a decent yield at a time when income can be hard to find without putting capital at risk.

“We are accessing this sector through JPM Income Opportunities, a flexible fixed income fund managed by Bill Eigen. He has been steadily increasing exposure to the high yield sector and it now accounts for almost 50% of his portfolio, the maximum allowed by his mandate. He is an opportunistic manager and will sell down his exposure again when he thinks the opportunity has passed.”

Commodities

BlackRock Gold & General

“This fund, managed by Evy Hambro, invests primarily in gold equities (i.e. the stocks of gold mining companies). The volatility of this fund means it is not one for the faint-hearted and should be scaled in one’s portfolio appropriately. However, we have a small holding in it and it has performed extremely well in recent months. Prior to that, performance was held back by the sharp decline in commodities prices. This led to a situation where valuations were suggesting that the mining industry was forever broken – this is something we thought unlikely. Clearly the fundamentals remain challenging, but we think there is a value opportunity here. If we see a pick-up in inflation, then the gold price could rise, which would be very supportive for the performance of this fund.”

