AJBell Investcentre

Fundamentals with Russ Mould

August 2016

Hello, I'm Russ Mould, AJ Bell's Investment Director, and welcome to the latest edition of Fund-amentals, where I'll be looking at the seventh-best selling fund on the AJ Bell Investcentre platform at the moment, namely Troy Trojan.

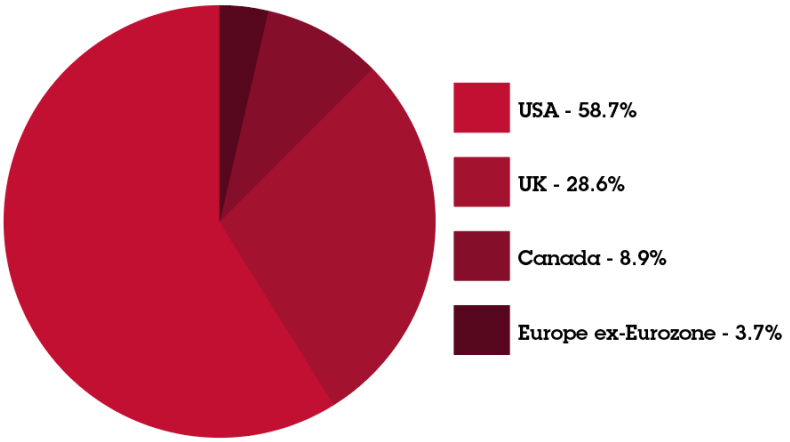
[CAPTION - Troy Trojan Fund O (Acc) ISIN – GB00B01BP952 SEDOL – B01BP95]

The £3.2 billion fund seeks to provide advisers and clients with long-term capital growth and income over the long run in real terms – and we'll come back to the emphasis on real terms shortly. Fund manager Sebastian Lyon looks to achieve this by investing in UK and global equity and fixed-income securities, but the mandate permits the use of other funds and money market instruments if he wishes.

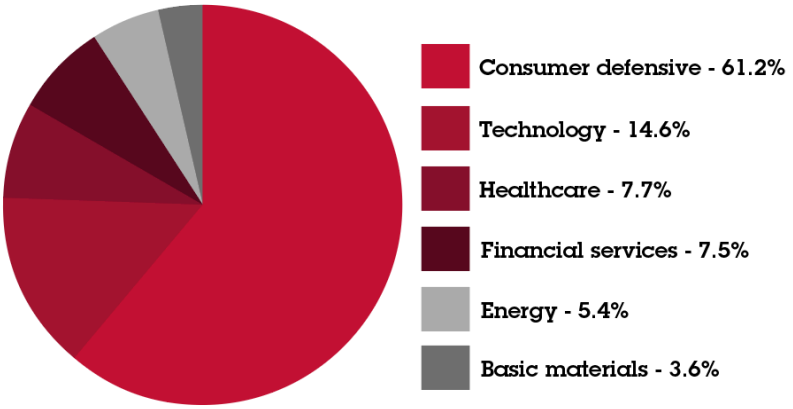
The yield is not too fat at just under 0.5%, with dividends paid semi-annually and the ongoing charge figure is not the cheapest at 1.05%. Troy Trojan is ISA and SIPP eligible.

The fund is very high conviction with just 20 stock holdings and 7 bond holdings at the moment, although we'll look at asset allocation more fully in a moment.

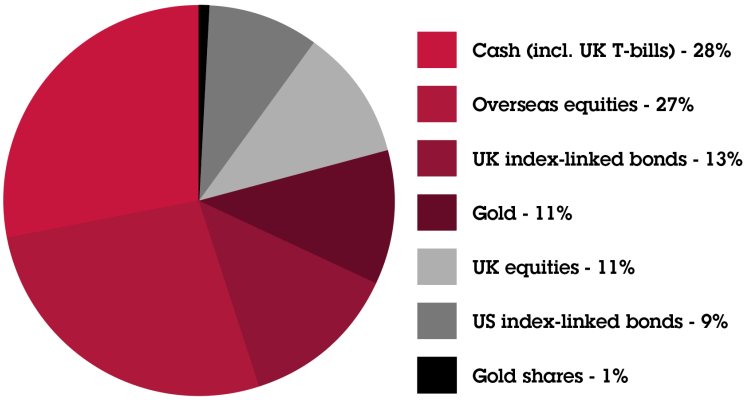
This first graphic shows the geographic mix of holdings, with the US and UK dominant:



The second looks at sector allocation, which gives a hint of what the fund is all about right now and why advisers and clients are warming to it at the moment: Consumer defensives represent the biggest exposure by miles, with a little healthcare and energy, but no cash is allocated toward industrials or consumer cyclicals for example.



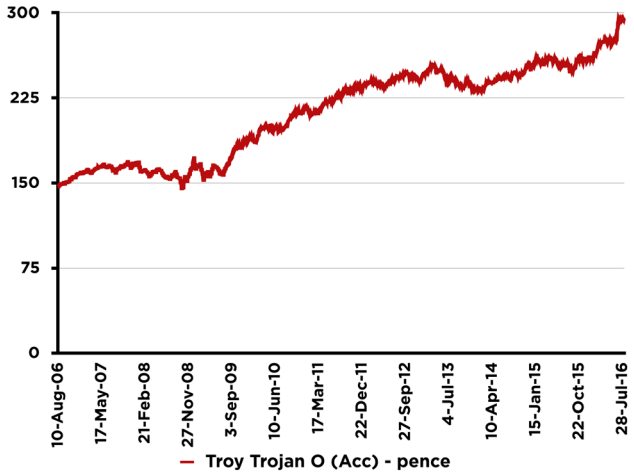
That's a clue that Lyon is focussing on quality and dependability and the asset allocation then rams home his underlying view of the world. Equities are 38% of the fund, but cash (including UK treasury bills) is 28%, index-linked bonds 22% and gold 12%.



To my mind, this explains why advisers and clients are buying this fund now – it is designed to weather a number of potential market scenarios and in some ways resembles the 'cockroach' portfolio designed by Société Générale strategist Dylan Grice a while back (a topic addressed in last week's weekly investment article on this website, by the way).

- Cash provides downside protection and guards against deflation.
- Gold protects against central bank money printing and the prospect of inflation, should Governments add fiscal stimulus to lavish monetary stimulus in an attempt to keep their own jobs, let alone help anyone with theirs.
- Index-linked bonds provide some income and also further inflation protection, should central banks finally succeed by overdoing the stimulus after seven years of trying and failing.
- The equity portion is focussed on quality names with good balance sheets, strong cash generation and long track records of dividend growth. Key holdings include British American Tobacco, Philip Morris, Microsoft, Altria, Sage and Coca-Cola. This provides a further buttress against plunging interest rates and collapsing bond yields as clients and advisers cast around for reliable sources of income.

In sum, this four-pot approach is designed with wealth protection and wealth creation in mind – and emphasises how the Troy Trojan seeks to provide total returns in real terms. This final graphic shows how the fund has done over 10 years – steady performance and limited volatility are two traits that spring to mind.



The large cash, bond or gold elements may not work for everyone and some may think the positioning is too conservative, with even the equity portion looking pretty stodgy – and despite that there were falls in the fund in 2008 (a tough year for everyone) and also 2013 (when gold fell from favour).

Advisers and clients do need to make sure that Troy Trojan fits with their overall investment strategy, target returns, time horizon and appetite for risk before they commit any capital, even if the fund clearly has its supporters, judging by our recent fund flows.

Thank you for watching and I look forward to seeing you next time.

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