

# INVESTORS CHRONICLE

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ACTIVE MANAGED OEIC

TROY SPECTRUM FUND O SHARES (GB00B2990B27)

BUY

## A green light for Spectrum

### Bull points

- Low TER
- Diversification via quality funds
- Good performance
- Low turnover

### Bear points

- Lacks US large-cap fund
- Risk-averse stance may not appeal
- Sees risk in investment trusts

Investors Chronicle has often criticised 'funds of funds' because their management fees are typically higher than those on traditional investment funds: you are effectively paying two sets of fees; one to the underlying funds in the portfolio and one to the manager. However, we think the Troy Spectrum fund, a fund of funds run by the team at Troy Asset Management, is a class above the rest – and much cheaper, too.

Spectrum invests on a global basis, predominantly in funds – which may account for up to 100 per cent of the fund's assets. However, it may also invest in bonds, equities, cash and other investments from time to time. Crucially, the fund doesn't invest in the UK, making it a good diversifier if you hold a portfolio of UK equities.

High total expense ratios (TERs) of 2.5 per cent are not unusual in the fund of funds arena, but Spectrum's TER is 1.47 per cent – lower than many actively managed funds that invest in portfolios of stocks and shares.

Like other Troy funds, it is conservatively managed, aiming to produce long-term capital growth, while preserving capital and reducing volatility. In terms of asset allocation, this is not a full-blooded global equity portfolio as it currently holds a lot of cash.

It holds risk-averse, lower-volatility managers, too. For example, Timothy Youngman of CF Ruffer European, Spectrum's largest holding, draws the analogy of European policymakers driving a mini down a ski jump – there is a high probability that things will go very wrong, but to pretend that you can forecast the exact scenario that will unfold is foolhardy. He also holds a significant cash balance in expectation of being able to take advantage of any opportunities that arise when the equity market vehicle finally reaches the bottom of the slope.

While fund of funds have a reputation for



Troy has 9 per cent of its assets in Japanese equities

high turnovers, moving money around aggressively, the Troy team prefers to pick the right managers and stick with them – the top 10 holdings from 12 months ago are still held today.

While Troy prefers investment trusts to open-ended funds, because they have lower turnover, better managers and are often

run by the same manager for 15-20 years, the team believes investment trusts are at risk from a discount-widening period. Therefore, the portfolio is positioned largely in open-ended funds.

The benefit here is that Spectrum holds some popular funds that have now closed to new investors – for example, Findlay Park American.

The portfolio lacks a US large-cap fund, but Troy takes the view that it won't fill the gap just because it would "look nice" – they have to find a good manager.

Troy prefers fund managers who have large portions of personal wealth in their funds, so are personally committed. It also values experience – the Spectrum portfolio holds no fund managers under 40. The maximum holding will be 25 funds – at present, it has 22.

Although Spectrum has been running for just over three years, it has already delivered consistently good performance. The fund is up 34 per cent since launch in February 2008 to 31 October 2011, compared with 14 per cent from the MSCI World Index

(£) and 9 per cent from the FTSE All-Share Index.

Preserving capital and reducing volatility may not be for everyone, but for investors who want an instantly diversified global portfolio of quality funds, Spectrum is a good option. Buy.

### IC TIP RATING

Tip style: GROWTH

Risk rating: MEDIUM

Timescale: MEDIUM TERM

### Troy Spectrum Fund O Shares (GB00B2990B27)

Price: 133.54p	3-year std deviation: 10.84%
IMA sector: IMA Active Managed	1-year performance: 1.92%
Type of fund: Oeic	3-year performance: 49.59%
Size of fund: £59m	Total expense ratio: 1.47%
No of holdings: 22	Minimum investment: £1,000
Set-up date: 29 Feb 2008	
Manager start date: 29 Feb 2008	More details: taml.co.uk

Source: Investors Chronicle funds data, JPMorgan & Morningstar\*

### Top 10 holdings

CF Ruffer European	7.6%	Gold Bullion Securities	5.8%
Findlay Park American	6.6%	CF Morant Wright Japan B	5.8%
Polar Capital – Insurance	6.2%	BlackRock Gold	
First State Asia		& Gen (inc)	5.5%
Pacific Leaders	6.1%	ETFS Physical Swiss Gold	4.3%
Jupiter Absolute Return	5.9%	RIT Capital	4.0%

As at 5 December 2011

### Geographical breakdown

