

The Daily Telegraph

The Daily Telegraph Saturday 26 June 2021

Fund of the week

'The lockdown extension won't hurt British stocks'

As society waits for normality, Trojan Income's Blake Hutchins tells Will Kirkman why he prefers a slow and steady approach to 'racy' shares

Since its launch in 2004, the Trojan Income fund has been prized by investors who are focused just as much on preserving their wealth as growing it.

The £2.7bn fund has beaten the returns of the London stock market over the past 17 years and its manager, Francis Brooke, has also avoided the worst of its falls.

More recently, however, it has lagged the market's recovery from its pandemic crash. Over the past 12 months the fund, which invests mostly in British dividend-paying stocks, has gained just 6pc, against a 19pc return from the FTSE All-Share, a barometer for the London market.

Mr Brooke, the portfolio's manager since its launch, is meanwhile stepping down from the fund at the end of this year. Blake Hutchins, appointed co-manager of the fund last year, is taking over the reins.

Mr Hutchins tells *Telegraph Money* about the changeover and the impact of the delay in the easing of Covid restrictions on his stocks, and explains why he won't be chasing the returns of the "racy" shares that have led the market recovery.

WHO IS THE FUND FOR?

The more cautious investor who has a long period of time before they need to spend their savings. Our investors always hold the fund in the more defensive parts of their portfolios.

HOW DO YOU PICK STOCKS?

We believe in focused portfolios of around 30-40 companies. We're looking for firms with strong competitive positioning, be that from great brands or superior research and development. Then we can be confident they will be around for decades and generate attractive returns over that period.

WILL YOU CHANGE THE FUND WHEN YOU TAKE CHARGE?

Francis is stepping off the fund, but he will stay working full-time, managing Troy, the fund group.

IN FOCUS



Blake Hutchins
Experian

Credit data giant Experian is steady and reliable and has a great track record of increasing its dividends over a long period of time. But investors have left companies like this on the shelf since November's coronavirus breakthroughs. Racier shares whose fortunes are tied to those of the economy have led the way in Britain's stock market recovery.

There will be absolutely no change in how we manage the fund. We have an incredibly clear investment process that we have always stuck to.

ARE THERE ANY STOCKS YOU WOULD NEVER INVEST IN?

We avoid any company with a lot of borrowing, that spends a lot of money, or is overly reliant on the health of the economy to perform well.

That means we avoid the likes of banks, life insurers, mining companies, airlines, cruise ship operators and housebuilders. You won't find those types of company in the fund.

HOW WILL THE DELAY TO THE EASING OF COVID RESTRICTIONS AFFECT BRITISH STOCKS?

Some of the companies we own in the fund have been affected, such as Compass, the caterer, and InterContinental Hotels Group, owner of the Holiday Inn chain. But it will be a short-term impact and the stock market has taken the news in its stride.

Companies are valued on the basis of the aggregate of all their future cash flows, so a few weeks' or months' delay to the reopening won't have a huge impact over the long term. It's a matter of when, not if, the country reopens.

I always tell investors to remember that the markets are three to six months ahead of the real world. While the front pages of the newspapers might be focused on reopening, the business pages and the stock market are well ahead of that.

WHAT HAS BEEN YOUR BEST INVESTMENT?

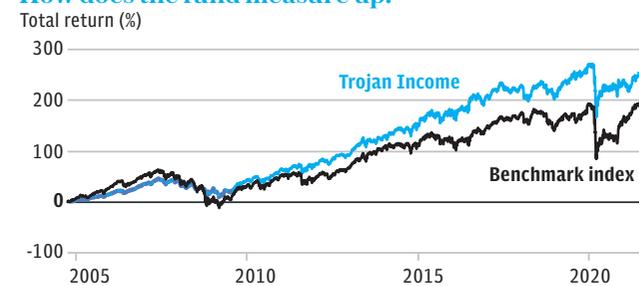
In the 18 months I've been involved in the fund, beer and spirits producer Diageo has been a stellar investment.

It endured a difficult pandemic, because bars and pubs were closed, but has managed that downturn well and is benefiting from the trend for customers to spend more on premium spirits. The shares have recovered strongly as economies have reopened following lockdowns.

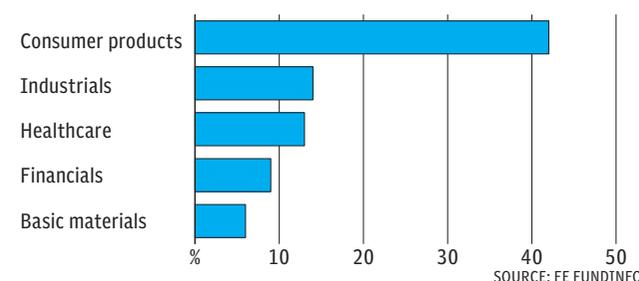
TROJAN INCOME



How does the fund measure up?



Where does the fund invest?



KEY FACTS

- Launch date: September 2004
- Total return since launch: 251pc
- Total return year to date: 6pc
- Annual charge: 0.86pc (X share class)
- Total number of stocks: 39

Top 10 holdings (as of 30/04/2021)

1. Diageo	6.3pc	6. Paychex	3.6pc
2. Reckitt Benckiser	5.6pc	7=. Compass Group	3.5pc
3. Experian	5.5pc	7=. Nestlé	3.5pc
4. Unilever	5.4pc	9=. Croda	3.4pc
5. Relx	5pc	9=. GlaxoSmithKline	3.4pc

AND WHAT'S BEEN YOUR WORST INVESTMENT?

Intertek, the testing and certification company, has produced fairly pedestrian returns since we bought the shares last year.

DO YOU INVEST YOUR OWN MONEY IN THE FUND?

Shares in Troy, the company behind my fund, are my largest investment and my second biggest is in the Trojan Income fund.

HOW ARE YOU PAID?

I am paid a salary plus bonuses. A large proportion of my bonus is paid into Troy funds.

£3,500

What £1,000 invested at launch would be worth today

WHAT WOULD YOU HAVE BEEN IF YOU WEREN'T A FUND MANAGER?

I probably would have been a tennis player. My dad and brother played professionally and my sister had a world ranking.

I was pretty good, but not quite good enough.



Markets Hub

See live financial data and build your own portfolio with our interactive investment tool
telegraph.co.uk/markets-hub