

Wealth

£690m trust gearing up for the next slump

FUND FOCUS

By **Jeff Prestridge**

INVESTMENT trust Capital Gearing is a fund for all seasons. It's not sexy, or exciting, but it will do all it can to preserve the real value of investors' long-term wealth.

Given its broad exposure to all major asset classes, and its long-term track record, many investors use it as their one and only investment holding.

The trust was launched 39 years ago and now has assets valued at £690 million.

Peter Spiller, a sprightly and enthusiastic 72, has overseen the portfolio from day one – although today, the fund is run by a four-strong team which makes up Capital Gearing Asset Management, the investment management company that looks after assets totalling £3.4 billion.

'It's unique,' says Spiller of the investment trust.

'Only once has the trust's share price fallen over the course of a calendar year – 2013 – and every year we strive to reduce the fund's costs.

'Fees are important because investment returns generally will not be great going forward.' The fund's annual charges currently total a modest 0.58 per cent.

Spiller is concerned that equity markets are heading for a 'considerable' correction, although he's unsure when this will happen. 'All the indicators suggest markets are overvalued,' he says. 'They could fall a long way.'

Spiller currently equates equity markets to milk in a pan. 'There's a lot of heat under the pan,' he says, 'and the froth is rising as evidenced by the soaring price of Bitcoin and the growth in special purpose acquisition companies looking for investment opportunities.

'What we don't know is how high the side of the pan is and at what stage the milk spills over.'

It's not surprising, therefore, that Capital Gearing has less than half of its assets exposed to equities and investment funds.

Also, most of these holdings are in stock market listed 'specialist' property companies – the likes of real estate trust Secure Income and German housing specialist Vonovia. The rest of the portfolio is invested in short-term bonds (the fund's 'dry powder') and US index-linked government bonds – commonly known as Treasury Inflation-Protected Securities (Tips).

Spiller says Tips often come into their own 'when other assets come under pressure'.

The trust's performance numbers confirm its 'Steady Eddie' nature. Over the past five one-year discrete investment periods, it has delivered positive returns of 13.3 per cent (year to May 7, 2021), 3.5 per cent, 6.3 per cent, 3.4 per cent and 12.5 per cent (year to May 7, 2017).

In the past year, it generated a lot of its gains from buying investment trusts whose shares had fallen sharply in the wake of the coronavirus pandemic.

Spiller says: 'We bought trusts where the shares stood at

a big discount to the value of their underlying assets, then took our profits as the discounts narrowed as stock markets bounced back.'

Profits were made from the likes of River & Mercantile UK Micro Cap, Diverse Income and Mobius – holdings that have now been disposed of.

Of the 48 per cent of assets in equities and funds, 8 per cent are UK invested – primarily through funds replicating the performance of the FTSE 100 and FTSE 250 indexes.

Capital Gearing Asset Management is underpinned by three principles: clients (investors) always come first, never be greedy, and have fun – not in a party way, but in terms of coming into work on a Monday morning with a smile on your face.

The trust's income is minimal – less than one per cent per annum – and is paid out once a year. The stock market identification code is: 0173861. jeff.prestridge@mailonsunday.co.uk

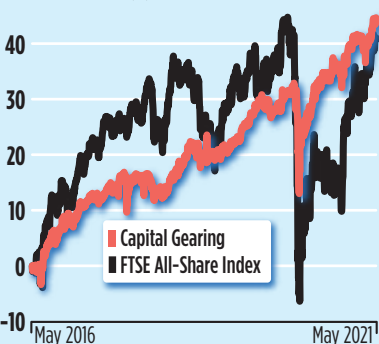
TOP FIVE EQUITY HOLDINGS (%)

Vanguard FTSE Japan ETF	4.7
Vonovia (Germany)	3.0
Secure Income REIT	2.1
North Atlantic Smaller Companies	2.1
Grainger (UK)	2.0

CAPITAL GEARING TRUST

Determined to preserve investors' wealth by investing broadly across assets

50 Total returns (%)



How the trust is invested by asset class (%)

