The best investment trusts for your pension - experts reveal their picks

By Tanya Jefferies   Updated: 14:10, 24 April 2024

When it comes to building your pension pot or investing it for retirement income, finding a reliable investment matters. Returns are never guaranteed - and investments go down as well as up - but there are some characteristics that make some stand out.

Many investment trusts have built remarkable track records for raising dividends, making them a popular option for people drawing down an income in retirement. But financial advisers have also come up with some top picks from the world of investment trusts for those still building up a pension too.

The Association of Investment Companies has compiled expert recommendations for what is known in financial jargon as the 'accumulation' phase of a saver's life, and for those needing an income in the 'decumulation' stage in retirement.

Investment trusts are listed companies with shares that trade on the stock market. They are known as closed-ended, because investors can buy or sell shares to join or leave, but new money outside this pool cannot be raised without issuing new shares.

That is unlike open-ended investment funds where money is pooled to invest in shares, bonds or other funds. Investment trusts can be riskier than funds because their shares can trade at a premium or discount to the value of the assets they hold - see below for more on how this works.

Although the list below has been picked by four professional financial advisers, remember that this is not individual financial advice and you should always check if an individual investment is right for you. If in doubt, seek independent financial advice.

Saving: 'I'm still building up a pension'

Paul Chilver, financial planning manager at Birkett Long

With the seemingly ever-increasing state pension age and the forthcoming increase to the age an individual can access their pension, investing into a pension is for the long term. With this in mind investment trusts, many of which are trading close to record discounts, could be an excellent option.

Discounts are particularly attractive on UK-focused investment trusts and one suggestion for the accumulation stage of investment is the Mercantile Investment Trust managed by JPMorgan which has been at a double-digit discount for many months despite very good short-term performance.
Mercantile Investment Trust (Ongoing charge: 1.41 per cent)

Philippa Maffioli, senior investment manager at Blyth-Richmond Investment Managers

During the accumulation phase when growth and diversification are essential, I recommend Worldwide Healthcare Trust. This global trust gives investors the opportunity to gain exposure to pharmaceutical, biotechnology, and other related healthcare companies all within an actively managed portfolio.

These range from large multinational pharmaceuticals to unquoted emerging biotechnology companies. The fund is managed by OrbiMed Capital which was founded in 1989 and has become the largest healthcare investment firm in the world. The team are actively looking at nearly 1,000 companies and the team works to identify sources of outperformance as well as those with underappreciated products in the pipeline with high quality management teams and strong financial resources.
Worldwide Healthcare Trust (Ongoing charge: 0.83per cent)

I am very keen for my clients to gain exposure to the management style of Spencer Adair and Malcolm MacColl of The Monks Investment Trust during the accumulation phase of a Sipp. Their aim is to focus on global companies from a range of profiles with above average earnings growth which they expect to hold for around five years.

That said, they are known for addressing issues head on and aren’t afraid to take a critical look at their portfolio when necessary, which I believe is very compelling. I believe that Monks is well positioned to capitalise on the continuous shift to a more digitalised world and must be included in a portfolio where growth

is required.
Monks Investment Trust (Ongoing charge: 0.69 per cent)

Doug Brodie, founder and chief executive of Chancery Lane

In building pensions investors should take note that trusts like Lowland, Murray International and City of London have all handsomely outperformed the FTSE All Share over the last 20 years. Investment trusts may not have the sales and marketing budgets of pension companies so investors have to look a bit harder.
A quick look at the long-term returns will show folk there's a good reason that institutional investors are big investors in trusts.
Lowland (Ongoing charge: 1.03 per cent)
Murray International (Ongoing charge: 0.78 per cent)
City of London (Ongoing charge: 0.65 per cent)

Neil Mumford, chartered financial planner at Milestone Wealth Management

For those looking for growth, I'd recommend JPMorgan Global Growth and Income Trust. This is one of the few investment trusts to be trading at a premium, but this should not concern long-term investors. It places a high emphasis on the world's largest stock market the US, accounting for two-thirds of the portfolio.

It is a high conviction portfolio with 50 to 90 holdings, with the top ten making up more than 40% of the portfolio. This has allowed it to outperform by some margin with a 305 per cent return over the last ten years.

There will be times when there may be swings in the portfolio value but for the patient investor this will hopefully pay off. If there was concern about the premium, this trust would also be ideal for regular monthly investments.
JPMorgan Global Growth and Income (Ongoing charge: 0.66 per cent)

Drawdown: I need to invest for income

Neil Mumford of Milestone Wealth Management

The Scottish American Investment Company is my choice for someone looking at building either an income or growth portfolio and is a top five holding in my own Sipp. I am still accumulating but it will stay once I am drawing down. It is a truly diversified equity portfolio, spread equally between the US and Europe at around 35 per cent each of the portfolio.

Although it doesn't have the highest yield at 2.9 per cent, this dividend hero has increased its payouts by an average of 4.2 per cent a year over the past five years and this dividend increase has not hampered its ability to grow capital – a total return of more than 170% over the last ten years should please any investor.

The price is currently a complete bargain when you consider that it is trading at an extremely attractive discount to net assets of around 10 per cent when historically it has been trading at near NAV or at a premium.
Scottish American Investment Company (Ongoing charge: 1.01 per cent)

Philippa Maffioli of Blyth-Richmond Investment Managers

During the decumulation phase when capital growth is not as important and the emphasis can shift towards capital preservation, Personal Assets Trust has an important place in many retirees' portfolios. The manager's approach is reassuringly conservative and is focused on looking at the risk of losing money rather than the risk of volatility.

Even though this is the case, it offers global diversification across four asset classes and is a bedrock for lower risk and/or decumulating portfolios.

It is managed by Sebastian Lyon who is assisted by Charlotte Yonge and their policy is to protect and increase (in that order) the value of shareholders' funds over the long term.
Personal Assets Trust (Ongoing charge: 0.67 per cent)

Ruffer Investment Company is another trust which concentrates on capital preservation and has a very successful track record in achieving this. The objective is to maintain a diverse strategy incorporating short-dated bonds, credit and derivative strategies and precious metals, plus a diverse spread of international equities.

The investment strategy and asset allocation are set by Henry Maxey and Neil McLeish, Co-Chief Investment Officers, supported by a team of senior fund managers and research analysts.

Ruffer seeks to preserve capital using a very disciplined approach with the prime objective of maintaining value over a one-year period and growing capital over the longer term. This means they would perceive a loss in line with the market as a failure.
Ruffer Investment Company (Ongoing charge: 1.07 per cent)

Paul Chilver of Birkett Long

When you come to draw an income from your pension investment trusts are an excellent choice.
In part this is because they can smooth their income payments, meaning some income can be retained in the trust in case it is needed in future when stock markets may be more volatile. There are many investment trusts paying an attractive dividend and my first suggestion is a UK-focused investment trust, Edinburgh Investment Trust.
This is a long-standing investment trust and is now managed by Liontrust following their acquisition of Majedie.
A second suggestion would be a global investment trust, JPMorgan Global Growth and Income.
This trust has its greatest weighting to US equities and is currently paying a yield of 3.4 per cent per annum.
Edinburgh Investment Trust (Ongoing charge: 0.53 per cent)
JPMorgan Global Growth and Income - also see above (Ongoing charge: 0.66 per cent)