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EXPLOSIVE GROWTH

Three fund managers – who achieved stellar returns this year – could put a rocket under YOUR portfolio in 2021

Lift-off: Unlisted companies like SpaceX added to the fun at Scottish Mortgage

INVESTMENT EXTRA *by Anne Ashworth*

SOME fund management teams richly repaid your loyalty in 2020, anticipating the trends and keeping their nerve amid the economic ravages of the pandemic. We reveal the trade secrets of three of the star managers of 2020 and share their thoughts on the best opportunities for 2021.

JAMES ANDERSON & TOM SLATER
SCOTTISH MORTGAGE

TRANSPORT drove the 102pc rise in shares of Scottish Mortgage investment trust, a £17bn FTSE 100 member and the biggest name in the celebrated Baillie Gifford fund stable.

The trust's star was its largest holding – Tesla, the maker of electric cars (*pictured inset*), where Elon Musk is CEO. He typifies the 'inspirational leadership' that Anderson and Slater require. Unlisted companies like SpaceX, another Elon Musk business, and Lilium, a flying taxi developer, added to the fun.

Tesla's battery technology puts it at the forefront of the energy revolution, a key focus. Slater explains: 'The wholesale shift away from carbon is set to be one of the most significant societal and investment transitions of our lifetimes.'

The trust's ascent was also powered by such US and Chinese lockdown stocks as Amazon, Net-

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flix and Tencent, although Anderson and Slater see 'tech as an enabler that powers companies, not a sector.'

This is part of a broader philosophy, as Slater outlines: 'Over the long run, stock market returns are concentrated in a few exceptional companies. When we've found such a company, we look beyond the ups and downs.

'We don't worry about companies that look expensive on short-term metrics, but where we are right, they become absurdly cheap on long-term estimates.'

The adventurous may wish to see if Scottish Mortgage proves this adage correct by investing in its shares in 2021. The risks are high, given the quantity of unlisted stocks. But I am staying on board for the thrills.

STEPHEN YIU
LF BLUE WHALE GROWTH

STEPHEN Yiu attributes the success of his fund, set up just three years ago, to a focus on high-quality companies in the US, Europe and UK, staying invested even amid stormy waters – and a distrust of hype.

He is a disciple of Nick Train and Terry Smith, some of our era's most celebrated managers. But his fund is up 27pc this year, while Fundsmith and Lindsell Train Global Equity have grown by 19pc and 10pc respectively.

All the fund's holdings are selected by Yiu with his team of five: 'We concentrate on 25-35 stocks and we don't use "generic" broker research because if you're aspiring to be the equivalent of a Michelin-starred chef in your business, you prepare your own ingredients.'

During the year Yiu steered clear of Tesla 'not our kind of company', reduced the fund's Amazon holding, but stayed faithful to Facebook, Microsoft and Paypal, arguing that dependence on these firms will continue even when normality returns.

Yiu believes this will be the moment when other investments, like Stryker, a maker of replacement hips which has suffered from the cancellation of operations, should rebound. Blue Whale has also recently bought shares in Moncler, the posh puffa jacket brand, betting on a surge of demand for luxury goods when the clouds lift.

Blue Whale offers long-term exposure to resilient companies, including some in healthcare, a field where the pandemic has revealed inadequacies. It is forecast that more money will be spent to solve these pressing issues.

HOWARD WANG & REBECCA JIANG
JP MORGAN CHINA GROWTH & INCOME

THE rise of internet titans Alibaba, Tencen and Meituan Dianping in 2020 has been crucial to the doubling of the share price of the JP Morgan China Growth and Income Trust. China's 1.4 billion consumers shop, bank, communicate and play video games on Alibaba and Tencent and order food from Meituan Dianping.

These relationships, which became much closer during the pandemic, seem set to further strengthen in 2021.

Rebecca Jiang (*pictured below* sets out the strategy: 'We aim for long-term growth, emphasising three trends: consumption, healthcare and technology. Bu we changed some stuff. The trust was renamed to reflect the fact that we now offer an income – the yield is 3.5pc.'

This paid off. In January the trust was at a double-digit discount to the net value of its assets. It is now at a small premium.

Jiang and her colleagues do not fear taking profits to seek out new opportunities. 'We are going into electric cars, not through local names, like Nio, but through Contemporary Amperex Technology, a maker of automotive batteries whose customer base is global.'

Running a China trust at a time of a trade war with the US has been challenging. The China Growth & Income team are prepared for the Biden administration's stance, which Jiang suspects will remain combative, 'but without the 2am Trump-style tweets.'

If you believe that China's growth could be poised to outpace the US – an increasingly common view – this trust is worth a bet, especially since the country already appears to be recovering from the pandemic.

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