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An ISA in a fund can see you though tough times

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the experts for some timely investment tips

Karen Attwood

WITH an equities ISA you can shelter more money from the taxman than you can with a cash ISA – currently £7,200 a year in equities compared to a maximum £3,600 in cash (or £10,200 for the over 50s). This will increase to £10,200 for everyone from April 6, of which £5,100 can be in cash.

Yet investing in stocks and shares carries more risk and is therefore more appealing to long term investors. Putting your money into funds rather than individual companies gives greater exposure to different companies and sectors, thereby reducing risk. With less than two weeks left to use the current ISA allowance, we ask leading experts for their top picks.

Mark Dampier,

head of research at Hargreaves Lansdown, says that pharmaceutical companies like GlaxoSmithKline and AstraZeneca and utilities, such as Scottish and Southern Energy, offer good value for investors right now.

"These can be bought individually or you can buy into Neil Woodford's Invesco Perpetual Investment Fund which is stuffed full of tobacco companies, utilities and had the two biggest holdings in Glaxo and Astra," he says.

"Other similar income funds are Artemis Income Fund and JO Hambro UK Equity Income Fund. These are good for people looking for income and growth. These funds give you a yield of between 4 and 5 per cent and these sorts of dividends are likely to increase."

Although the prospects for the UK economy are now good for the next two to three years, the companies in these funds "will weather the storm", he says.

Peter Chadborn,

director of Essex-based specialist CBK, recommends first time investors to look at the Gartmore Cautious Managed Fund. "A cautious managed fund is ideal for the novice investor because it should have low volatility as it has mix of investments – equities, bonds, cash and property," he says.

The fund performs consistently in the ranking tables. It's predominantly an equity fund but has healthy fixed interest exposure to reduce the volatility. A good solid performer which is what you want from this type of fund."

But for more experienced investors he suggests JPM Natural Resources. "This fund has no direct correlation to mainstream funds or sectors so offers real diversification," he says. "It is a highly volatile fund which consistently ranks highly in the Specialist sector but beware of buying while the price is high. The manager has been at the helm for many years which inspires confidence."

Geoff Penrice,

chartered financial planner at Honister Partners, says with interest rates set to remain low for the next few years "there should be more interesting returns from shares and fixed interest funds; although obviously with higher volatility".

He recommends investing in some of the multi-manager funds such as Jupiter Merlin Growth and Henderson MM Income & Growth "which hold a wide mix of assets".

"They can follow a long term strategy for say income or growth but can also make short term tactical decisions if things change in the market," he says. "The funds generally have higher charges than single unit trusts but some have delivered good consistent returns even through very difficult times."

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