

The Report

2026 ISA Investment Guide Strategies for smarter saving

ISA overview Understanding rules, allowances and options

Execute and manage How to align platform, portfolio and performance

Asset allocation Building resilience through diversification

Renovation – ISA £33,534
Risk 8/10 +11.45%



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The Individual Savings Account (ISA) was introduced in April 1999 by the then-Chancellor, Gordon Brown, to encourage saving by offering tax-free growth. Since then, 21 million savers have deposited nearly £1trn into these accounts and over 5,000 have

become “ISA millionaires”, accumulating more than £1m tax free.

There are five core ISA variants: cash, stocks and shares, innovative finance, lifetime (LISA), and junior (JISA). Each year, investors and savers can deposit up to £20,000 into one or more of these accounts, although from April 2027, cash ISA contributions will be limited to £12,000 a year for those under 65, as part of the government's push toward long-term equity investment.

Despite these changes, ISAs remain one of the most significant tax-advantaged savings vehicles available to UK households. This matters in a period of sustained fiscal consolidation. After two consecutive tax-raising budgets, the overall tax burden is projected to reach 38 per cent of GDP by the end of the decade – its highest sustained level in modern times.

Within that context, understanding how ISAs function, and how they fit into long-term financial planning,

is increasingly important for prospective savers and investors. This comprehensive guide is designed to be a one-stop overview for investors and savers who want to make the most of this tool for wealth creation.

Whether you require the low-cost, passive approach of Vanguard, the vast investment universe of Interactive Investor and AJ Bell, or the specialised ETF focus of InvestEngine, the following pages should serve as a definitive resource for optimising your allowance before the 5 April deadline.

Bringing together policy context, market analysis, and practical guidance, this report sets out how ISAs can be used thoughtfully and effectively over time. From platform choice to portfolio construction, it offers a clear, market-informed framework for making decisions, balancing opportunity with risk, and aligning one's savings with long-term financial goals. ●

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The 2026 ISA Manifesto **Make savings work harder** **through tax-free allowances**

The ISA: Your next investment move in the 2026 tax environment

An individual savings account, or ISA, is one of the most powerful vehicles that investors and savers can use – both to build wealth and shield that wealth from the tax collector. These tax wrappers have gone through multiple changes over the years, but the key qualities remain the same.

Every tax year, savers over the age of 18 (a different product exists for junior savers) can save up to £20,000 in one account or split the allowance across multiple accounts. This is a use-it-or-lose-it benefit that cannot be rolled over into new tax years.

Some providers also offer flexible ISAs that allow unlimited deposits and withdrawals within the tax year, which runs from 6 April to 5 April. ISA accounts don't even need to be mentioned on tax returns; as long as you use a regulated platform and stick to the contribution limit every year, you do not need to tell HMRC how much you're earning or where it's coming from. For higher and additional rate taxpayers, these perks are more attractive than ever before.

Changing tax shields

Over the past four years, the government has raised taxes on savers and investors. Chancellor Rachel Reeves has delivered two consecutive tax-hiking budgets that will lift the overall tax burden to 38 per cent of GDP by the end of the current parliament – a record high.

In her first budget, the Chancellor increased the lower rate of capital gains tax, which is paid on the profit earned from the sale of assets such as stocks and shares, from 10 to 18 per cent and the higher rate from 20 per cent to 24 per cent.

Then, in her second budget, Reeves announced a planned increase in the dividend tax rate. Starting from 6 April this year, the rate will rise by 2 percentage points, from 8.75 per cent to 10.75 per cent for basic rate taxpayers, and from 33.75 per cent to 35.75 per cent for higher rate taxpayers. The additional rate will remain unchanged at 39.35 per cent. This will be the latest in a series of changes to dividend tax rates, which started with the abolition of the 10 per cent dividend tax credit in 2016 and the introduction of a separate set of dividend tax rules.

Taxes on savings

In her latest budget, the Chancellor also increased the tax rate on savings income by two percentage points across all bands. The basic rate will rise from 20 per cent to 22 per cent, the higher rate from 40 per cent to 42 per cent, and the additional rate from 45 per cent to 47 per cent, starting April 2027.

What's more, the annual exemption amount for capital gains tax was reduced by more than half in April 2023 to £6,000 and decreased again in the 2024-25 tax year to £3,000. Annual exempt amounts – meaning the tax-free allowance – for dividends and the personal savings allowance have remained the same, at £500 and £1,000 respectively. But higher interest rates and fiscal drag have pulled increasing numbers of basic-rate taxpayers into the tax net. According to HMRC data, nearly four times as many taxpayers paid tax on savings income in the 2024-25 tax year compared to 2021-22. An estimated two million more taxpayers have been hit by the dividend tax changes.

As a result of these shifts in the taxpayer landscape, it's now more important than ever to make the most of your annual ISA allowance. This guide is designed to help you do just that. ●

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▲ CASH ISA ▾

Total value

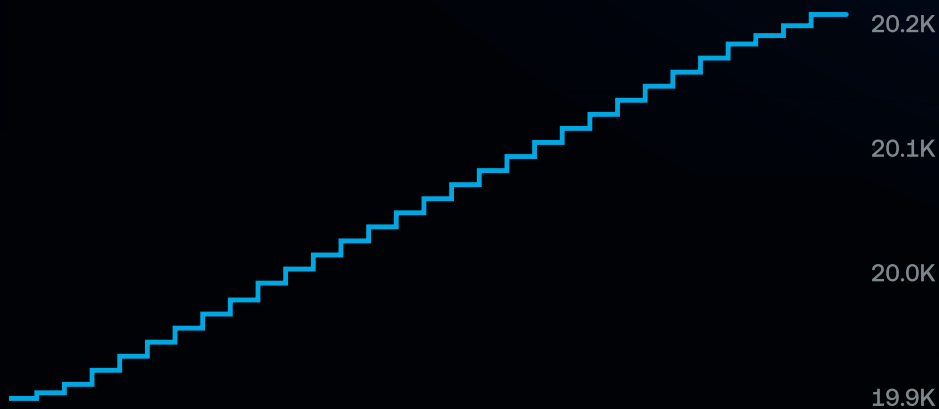
£20,146.78

CASH

£20,110.50

PENDING INTEREST ⓘ

£36.28



Open your free

CASH ISA

A shifting landscape Getting to grips with the 2025-26 rule changes

Upcoming changes to some ISA types could heavily influence investment decision making

There are currently four primary types of ISAs on the market: cash, stocks and shares, innovative finance ISAs (IFISAs), and lifetime ISAs (LISAs).

Every tax year, savers can deposit up to £20,000 in one account or split the allowance across multiple accounts. The exception is the LISA: you can only pay into one LISA in a tax year, with a limit of £4,000 per year.

The cash ISA is the most common and the most basic. It functions in much the same way as a savings account, except for the annual £20,000 limit and the tax-free status. It's also common to see much higher interest rates on cash ISA products, as the market is

highly competitive – with banks and building societies fighting for business.

Cash changes

Cash ISAs were the most popular product last year, with £57bn deposited across the whole of 2025. In December, inflows were 47 per cent higher than the same month a year earlier, as savers rushed to deposit cash ahead of the government's upcoming changes.

In November, the Chancellor announced that from April 2027 the tax free cash ISA allowance will be reduced from £20,000 to £12,000 a year for people aged under 65.

The goal is to push more money into stocks and shares ISAs. No changes have been announced for these models, but savers will need to be mindful about how much cash they hold. As cash ISAs and stocks and shares ISAs can be interchangeable (for those platforms that offer it) the £12,000 limit will apply to cash held within stocks and shares ISAs.

There are still a lot of rules to be ironed out around these changes. Specifically, HMRC needs to determine which cash-like assets it will disqualify from inclusion.

LISA changes

The government has also outlined plans to replace the LISA with a simpler first-time buyer product from April 2028.

At present, savers can deposit up to £4,000 a year into a LISA and receive a 25 per cent bonus from the government (capped at £1,000). However, the product can only be used to buy a first home (with a maximum value of £450,000) or be used as retirement savings. Anyone who withdraws their funds for any other reason faces a penalty on withdrawals – the 25 per cent government bonus, plus a bit extra – which can penalise savers.

There's a good deal of evidence that consumers don't really understand this product, and average first-time buyers in London are paying more than the cap, cutting them out of this key market.

Labour is also introducing changes to IFISAs. These were introduced to help funnel funds into more long-term, less liquid investments, such as peer-to-peer loans. Due to the nature of the product, they are the riskiest type of ISA, but they do have a place in the investment landscape. From April 2027, individuals under 65 will be prohibited from transferring funds from an IFISA into a cash ISA. From April this year, Cryptoasset Exchange Traded Notes (ETNs) will be permitted in IFISAs, but not in stocks and shares ISAs. ●

Zero commission Stocks ISA

When investing, your capital is at risk. Other fees may apply.

The £20,000 puzzle
Know how to make your
options work best for you

It really pays to use as much of your allowance as soon as possible

While the recently announced changes to cash ISA allowances are disappointing, there's no denying the £20,000 annual ISA allowance remains very generous. Most investors and savers don't actually use this allowance every year. Roughly 8 per cent of all ISA holders contribute the full amount, with nearly 60 per cent saving less than £5,000 annually.

Still, if you do have the means to use the full amount, it makes sense to capitalise on the opportunity as much as possible – and as soon

as possible. According to research conducted by broker AJ Bell, an investor who diligently invested on the first day of each tax year, over a period of 25 years in the same global index tracker fund, would end up with 5 per cent more (£20,000) over the long term than someone who invested on the last day of every tax year. So it really pays to use as much of your allowance as you can.

How you choose to deploy your capital will depend on your personal finance goals and long-term ambitions. ISAs should be used as part of a wealth planning strategy alongside other products and tax wrappers, such as pensions and regular savings accounts.

For higher-rate and additional-rate taxpayers, who could be paying as much as 47 per cent tax on any savings interest next year, it makes sense to hold any cash savings within an ISA.

However, it's usually not sensible to hold more cash than you need to cover short-term expenses. Over 5,000 investors have used stocks and shares ISAs to become millionaires, according to the latest HMRC data, with some investors sitting on pots worth more than £11m.

According to investment platform Plum, an individual who pays in the current maximum annual allowance of £20,000 each year into a stocks and shares ISA would become a millionaire in roughly 22 years – assuming an annualised return of 7 per cent after fees – from a standing start today.

While the different platforms and models available have experienced some bumps along the way, equities have consistently generated better returns than cash. Broker AJ Bell found that a £1,000 annual contribution to a stocks and shares ISA since 1999 would now be worth £127,887 if it had been invested in North American funds, or £67,866 if invested in UK equities.

Cash ISA investors would have a fund worth £36,920 or £40,717 if it had tracked annual inflation. That means money held within cash ISAs has failed to keep up with inflation.

This data is hard to ignore. Cash ISAs have historically been a poor product for wealth creation, so investors should think very carefully about how much of their money they want to keep in a cash savings account.

IFISAs might offer higher returns than cash ISAs, but they should in no way be considered replacements. These products are often based on peer-to-peer lending, which can lead to losses. The higher rate of returns is designed to compensate for the risk of loss. ●

The cash ISA cap How should investors tackle the lower cash limit?

Some rules remain unclear, but there are options for those looking to shelter cash

Cash ISAs are the most popular ISA product, but, as previously outlined, from April 2027, savers under the age of 65 will only be allowed to deposit £12,000 a year into a cash ISA. People aged 65 and over will still be able to hold up to £20,000 in these accounts if they prefer.

Labour has changed the rules as it wants to try to drive more cash into UK equities – at one point, there were rumours the government would scrap the cash ISA allowance in its entirety. After heavy lobbying, the Chancellor settled on the lower limit.

In reality, the £12,000 limit should be suitable for most people. It's understandable that investors and savers might want to hold more cash as they

approach retirement in order to reduce risk. However, most savers are putting themselves at a disadvantage by holding too much cash.

Still, active investors who may decide to increase cash levels while they are waiting for the best investment opportunity could find themselves at a disadvantage. These investors will have to navigate the changes carefully to ensure they don't fall foul of HMRC rules.

Unclear rules

Unfortunately, at the time of writing, the rules themselves aren't entirely clear.

In particular, HMRC is planning to introduce rules to prevent investors under 65 from using other types of ISA to get around the lower cash limit. These could include a charge on interest paid on cash held in stocks and shares ISAs and a test to determine whether an investment is "cash-like", which could drag alternatives, such as money market funds, T-bills and bonds, into the net.

At present, you can (and many investors do) use these in their stocks and shares ISAs to earn a higher rate of return on uninvested cash. Removing all restrictions on the use of these assets for investors could pose significant challenges for those under 65.

Investors who want to generate an income – but who don't want to fall foul of the cash ISA rules – will have to look at other higher risk investments, such as equity income funds and corporate bonds as well as IFISAs. However, these products entail greater risk and may not therefore be suitable for every investor.

Gilt trade

Another option is to look at other tax-effective strategies, such as the gilt trade.

Gilts, or government bonds, are increasingly being used by high earners to generate a higher return on their cash without having to pay tax. This is possible due to a quirk of tax law around short-dated gilts.

These don't pay an interest coupon. Instead, the gilt is issued at a discount to its face value (100p), and the return is the capital gain between the issue price and the redemption price. For example, a six month gilt issued at 97.8p and redeemed at 100p would give investors an annualised return of 4.5 per cent. Under current law there is no tax to pay on this capital return.

This is a handy trick for investors looking to shelter more cash from the recent ISA rule changes. ●

Zero commission Stocks ISA

When investing, your capital is at risk. Other fees may apply.

ISA Overview

In association with

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Build wealth every day

Stocks and shares ISAs
One of the best investment vehicles on the market

Enjoy full control over how and where your money is invested

Stocks and shares ISAs are one of the most attractive investment accounts in the world. There are only a handful of other countries that offer citizens such tax efficient account accounts, and those that do generally require investors to invest in their home country.

With a stocks and shares ISA you can invest up to £20,000 each year, with any returns tax-free. In addition, the model allows you full control over how your money is invested.

ISAs can be especially helpful for families seeking to build up savings: a couple could save and invest up to £40,000 each year and also contribute to Junior ISAs to save for their children.

DIY

Do-it-yourself (DIY) investment platforms require you to conduct your own research before deciding what to buy for your portfolio. These accounts generally only offer a very streamlined and basic set of tools for investors, but if you are comfortable choosing your funds and investments, it's the best strategy to keep costs low.

Providers with the lowest costs include Trading 212, IG, and InvestEngine. Established providers with higher costs include interactive investor, AJ Bell and Hargreaves Lansdown. The cheapest providers have no platform fees or trading fees. However, they include a fund management fee charged not by the platform itself but by the fund provider.

Robo-advisor

Aside from do-it-yourself investment platforms, investors can choose managed and robo stocks and shares ISAs. These are either managed by human investment managers or a robo-advisor based on a set of rules defined by your personal risk profile. The fees for these services are usually higher than DIY platforms, but they are a good place to start for those investors who don't know much about investing.

Average fees are around 0.6 per cent per annum on total assets invested with a fund management cost on top of that, which can be anywhere from 0.2 per cent to 0.4 per cent of the value of your investment.

Some of the biggest and best-known providers in this space include Wealthify (owned by Aviva), Moneyfarm and JPMorgan Personal Investing.

Wealth manager

For a fully-rounded service (a more expensive option) investors can always choose a wealth manager to look after their ISA. Fees charged by wealth managers can be as much as 1 per cent a year, excluding any fund management charges. They also tend to have minimum investments, starting at around £25,000.

However, wealth managers – who provide a discretionary portfolio service – generally offer a more personal and holistic approach to wealth, making an effort to understand your financial goals and ambitions over the long term. Some of the providers in this space include Killik & Co, JM Finn, St James's Place, Evelyn Partners and Rathbones.

The ISA provider you decide to go with will depend on your personal preference for risk and the amount of time you're able to devote to your investments. Some people are happiest picking and choosing their own stocks and funds, others may prefer to pay a small fee in return for the ease of having someone managing their investments. ●

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ISA Overview

Junior ISAs

Kickstarting positive savings habits for under-18s

How to build a tax-free nest egg for young savers

Junior ISAs sit nicely alongside the stocks and shares ISA and other ISA allowances. Introduced in November 2011 to replace child trust funds with an initial annual limit of £3,600, the allowance has grown steadily over the past 15 years, although the market for them remains much smaller than the market for adult ISAs. In the 2022-23 tax year, £1.5bn was subscribed to Junior ISAs, around 42.2 per cent of which was in cash.

Today, junior ISAs allow you to save or invest up to £9,000 in the 2025-26 tax year, with the cash locked away until the child turns 18 – at which point, the savings account converts into a regular, adult ISA, and the annual contribution allowance rises to £20,000.

Like the adult saver products, the junior ISA allowance exists on a use-it-or-lose-it basis: unspent allowances cannot be rolled over from year to year.

The types of junior ISA accounts available are similar to those of adult ISAs. Parents can open junior cash ISA savings accounts, which give a fixed amount of interest every year, in exactly the same way as an adult cash ISA. Parents can also open junior stocks and shares ISAs, which can be a great way of kickstarting a child's saving habits. Most providers allow relatives to contribute to these products using a separate account function – a nice tool for grandparents or other family members who want to gift money to a child. Contributing to a stocks and shares ISA could also be better than giving a cash gift, given that interest rates may not keep up with inflation.

Unlike adult cash ISAs, the government has not yet announced any future plans to change the annual savings limit.

Something to be aware of with junior ISAs is that only the account-holding child can withdraw money from it – and it's not possible to make withdrawals until they turn 18. This means parents and grandparents need to be careful they're only contributing what they can afford to the ISA, as the transaction cannot be reversed or withdrawn if they need it back.

The interest rates offered by different savings platforms vary, but you can transfer junior cash ISAs between providers to try and get the best rates on the market. However, the best option for long-term saving is likely to be a junior stocks and shares ISA. Indeed, between 2011 and 2021, an individual who maximised their junior ISA allowance would have seen a return four times higher by investing in a basket of global stocks, rather than holding cash.

According to research compiled by the investment giant Vanguard, if you invested £2,500 on your child's ninth birthday and added £100 each month (increasing it by 2 per cent each year for inflation), they'd have over £17,000 by their 18th birthday, based on a 5 per cent average rate of return on their Junior ISA investments (not including any fees).

If £2,500 was invested at birth, using the same returns and adding £100 a month, rising 2 per cent each year to include inflation, the result would be £46,621. That's a fantastic start in life for the child when they reach 18 years of age. Remember, all of these gains are tax free while the money continues to be held within an ISA wrapper. ●

ISA Overview

SIPPs vs ISAs

How to decide which type of saving fund is right for you

Planning for the future with a self-invested personal pension

An ISA of any kind can be a great financial planning tool – and so can self-invested personal pensions (SIPPs). These tax-efficient savers are similar to ISAs, with a few key differences.

The first and most important thing to note with a SIPP is that you cannot withdraw any money from it until you reach 55 years of age (rising to 57 years from 6 April 2028). By comparison, an adult ISA allows you to withdraw your money whenever you want. Some providers will even let you take money out and put it back in as long as you don't breach the £20,000 allowance within a single tax year.

As SIPPs are designed to encourage retirement

savings, they also offer tax benefits. Any money you contribute to a SIPP receives tax relief at your marginal tax rate – that's 20 per cent for basic rate taxpayers. In most cases, the provider will claim the money back for you. This means that for a basic rate taxpayer, a contribution of £80 becomes £100 after the 20 per cent tax benefit. Tax relief for basic taxpayers is awarded automatically. Higher-rate and additional-rate taxpayers have to claim more relief on their returns. Tax relief is limited to 100 per cent on an annual earnings and you'll only receive tax relief up to age 75.

Non-taxpayers (including non-earners, children, and students) can receive tax relief on SIPP contributions up to a gross total of £3,600 per tax year, or £2,880 net. There is no such benefit with ISA contributions. However, you can only withdraw 25 per cent of your SIPP funds tax-free at the point of retirement, with a cap of £268,275. The rest is taxed as income. Savers can contribute to their SIPP directly or receive contributions from their employer. SIPP accounts tend to be more flexible than workplace pension schemes, allowing investors to pick and choose their investments.

There are also contribution limits for SIPPs. The current annual limit is £60,000, but it could be as low as £10,000 if you have a very high income. This limit covers total contributions made by you and your employers. It isn't a hard one – as is the case with ISA accounts, but there could be additional tax charges to pay if you exceed your annual allowance. From April 2027, unused SIPP funds will also be categorised as part of a deceased person's estate for inheritance tax purposes. That means assets within a SIPP could be taxed at up to 40 per cent unless left to a spouse.

SIPPs have some very attractive qualities, but they are not the same as ISAs. Both of these tax-efficient wrappers have a place in one's personal financial planning strategy. The ISA comes with more flexibility, while the SIPP is designed for retirement. ISAs have stricter, HMRC-approved investment criteria and are generally limited to investments listed on a recognised stock exchange – which includes most funds and shares, but excludes direct property.

SIPPs come with more flexibility. Investors can hold commercial property and a wider range of unlisted shares within one of these wrappers, although these assets might not be suitable for all investors. An investor can save into both in one tax year, with a potential limit of £80,000. For a couple, that could be as much as £180,000 a year. Investors and savers shouldn't think of ISAs and SIPPs as an either-or product; they are complementary and can be used to reach different financial targets. ISAs are by far the most flexible, however, and are the better choice for young people saving towards medium-term financial goals. SIPPs are very long-term savings products, designed to maximise the financial benefits of compound interest over the long term with added tax relief. ●

ISA Overview

ISAs and inheritance tax The complexities of personal allowance rules

Passing on wealth through tax-efficient ISA savings

The rules around inheritance tax (IHT) have changed significantly over the past five years as the government has sought to close some loopholes in the tax system.

Money held in ISAs is not exempt from IHT: they form part of a deceased person's estate upon death. Heirs of estates worth more than the £325,000 threshold may be taxed at 40 per cent, but a spouse can inherit tax-free. What's more, surviving spouses or civil partners can receive the funds into their own ISA, maintaining tax-free status – and that's on top of their own £20,000 annual ISA allowance.

The rules around IHT are complex and it's always best to seek advice from a professional if you're unsure about your position. But generally speaking, individuals can usually pass on £325,000 to their beneficiaries without IHT applying, while spouses and civil partners can pass any unused "nil-rate band" between them when the first partner dies.

The surviving spouse can then pass on as much as £650,000 when they die without the funds falling into the scope of IHT.

On top of these benefits, if the estate includes a primary residence, an extra £175,000 is allowed per individual if the home is being passed on to children and the whole estate is not worth more than £2m.

Business Relief

Some small companies listed on the Alternative Investment Market (AIM) also enjoy partial relief from IHT because they qualify for business relief. Stocks listed on AIM have been eligible for ISA inclusion since 2013, and some providers have set up especially designed products, known as AIM ISAs, to capitalise on the IHT and other general tax benefits offered by ISA wrappers.

IHT relief on AIM shares was previously set at 100 per cent, but this was reduced in the 2024 Autumn Budget to 50 per cent. Following those changes, AIM shares face IHT at 20 per cent if held for two years. While there are some tax benefits to owning AIM shares, as the companies tend to be early-stage growth businesses they come with added risk, and investors should not invest for the tax benefits alone. Smaller company shares also tend to be illiquid, with fewer people willing to buy them, particularly when times are hard.

Bed and ISA

Another tax strategy investors can utilise is the so-called "Bed and ISA" strategy, which is offered by several of the biggest ISA providers. A bed and ISA allows investors to sell stocks held in a taxable general investment account (GIA) and immediately move the proceeds into a stocks and shares ISA to repurchase them. The trades have to be completed and handled on the same platform.

This trade shields assets from capital gains and dividend tax when they're repurchased in an ISA, but the sale of shares in a GIA is a disposal for capital gains tax (CGT). That means you could end up having to pay CGT if your capital gains for the tax year exceed the £3,000 nil-rate band allowance. However, bed-and-ISA trades are exempt from the 30-day rule that prevents investors from selling shares at a loss and immediately buying them back again to claim CGT relief while keeping the investment.

If you trade to engineer a loss, you must wait more than 30 days before buying the same shares again, or the loss is disallowed for CGT purposes. Investors will also have to pay stamp duty on the repurchase of shares within the ISA wrapper. ●

ISA Overview

Innovative finance An alternative route for wealth investment

Investing in peer-to-peer loans: higher risk, higher reward

The innovative finance ISA (IFISA) was introduced in 2016 as part of the government's attempt to help stimulate the peer-to-peer lending market. Savers and investors can put up to £20,000 a year into these tax-efficient wrappers via specialist platforms, which then match the cash with businesses and individuals wishing to borrow.

Rates of return start at 5 per cent, reaching as much as 12 per cent each year – but this does not come without risk. In fact, due to the nature of the lending, IFISAs are some of the higher-risk ISA products on the market. They should not be considered a replacement for the cash ISA.

While lending platforms do have strict lending criteria, borrowers can – and often do – default on peer-to-peer loans, which can force losses on borrowers. Some platforms have reported default rates of around 6-7 per cent, although most have been able to recover outstanding funds from businesses during the administration process. As a result, total loss rates tend to be much lower. Still, investors need to be aware they may not get back all they invest with these products.

Critically, IFISAs are generally not protected by the Financial Services Compensation Scheme (FSCS), unlike cash or stocks and shares ISAs, which are protected up to £120,000 as of December 2025. This means investors risk losing their capital if the underlying loans default or the IFISA platform fails.

One company offering IFISAs is CapitalRaise, which matches investors with developers pursuing prime property developments in London and the home counties. Only available to people classified as “sophisticated investors” or as certified high-net-worth individuals, CapitalRaise has arranged nearly £500m in loans via its platform, with rates of around 9-10 per cent available to IFISA investors. Those who qualify can pick the loans they want to back, from low to higher-risk borrowers.

Another prime-lending platform, Loanpad, focuses on lending to low-risk borrowers in the property development market, where the average loan-to-value ratio is below 50 per cent. Investors receive interest every day and can choose between instant access and 60-day notice accounts. The current interest rate on the instant access ISA account is 4.8 per cent, rising to 5.8 per cent for 60-day access.

CapitalStackers is one of the riskier providers. The platform is designed to enable small investors to invest directly in property deals and has lent out a total of nearly £300m at an average interest rate of nearly 12 per cent, with the highest return at 23 per cent. Just over 10 per cent of loans have been written off in the past, underscoring the market's risks. There's a reason why these platforms offer such high interest rates for investors – to compensate for the risk of loss.

An alternative is Triodos Bank's IFISA. This product is designed with purpose in mind. The bank's crowdfunding platform is designed to help pioneering organisations deliver positive change and eligible investors can select which projects they want to back and earn returns tax free. The platform has raised just over £200m across 94 projects since its launch. For example, currently there is a project on the platform that will help develop and build two new wind farms and support the creation of a community project with an annual return of 5.5 per cent. These are just some of the IFISA providers on the market at the moment, illustrating what's available to investors and the risks involved with investing in this relatively small and underdeveloped market. ●

Execution and Maintenance

Platform selection Understand which provider fits your needs

There are a number of platforms on the market, targeting a wide range of investor type

When it comes to choosing the best platform for your stocks and shares ISA, there's a huge range of choice. It can seem confusing at first, but each platform is designed for a different style of investing and type of investor.

How much time and effort you want to put into managing your ISA will largely determine the path you choose. It's also worth considering whether you want to be able to move from a cash ISA to a stocks and shares ISA on the same platform, if you want a flexible ISA and if you'd like the same platform to host a junior ISA as well.

Traditional DIY platforms allow investors to choose from tens of thousands of investments worldwide. A new crop has also emerged, offering investors fewer choices but significantly lower fees.

Those who don't want to pick and choose the investments themselves may be better off choosing a platform that offers a robo-advisory service. These select investments for you based on

your risk profile, with minimal user input. The portfolio is rebalanced regularly in line with the platform's risk models and internal investment advice. This market is currently dominated by the likes of Wealthify, Moneyfarm, and JP Morgan Personal Investing.

The final category is for those who really don't want any input into how their money is invested. This is the space dominated by wealth managers. Managers usually offer a stocks and shares ISA portfolio management service, combined with retirement planning, and other lifetime financial management services.

Most of these managers rely on human conversations and face-to-face meetings, which many people prefer. However, this is the most costly of the three options. Companies that dominate their space include St James's Place, JM Finn, and Rathbones. With all of the options below, it should be noted that as well as any account management fee or trading costs, investors will have to pay the ongoing cost or an annual fee of any underlying funds used, which are not generally included in platform fee details.

DIY platforms

If you are looking for a DIY investment platform with all the bells and whistles and that is well established in the market, there are four primary competitors:

Interactive investor: Is one of the largest players in the UK and charges relatively low fees for a very comprehensive platform. Its basic package starts at £5.99 a month for a portfolio up to £100,000 and charges a trading fee of £3.99 for funds and equities.

AJ Bell: This is another well-established platform and is a public company in its own right. It charges an annual management fee of 0.25 per cent on a portfolio, capped at £3.50 per month. It charges a £1.50 fee to buy and sell funds, and £5 to buy and sell stocks and shares.

Hargreaves Lansdown: This is probably one of the most established players in the market, having revolutionised investing when it was launched in 1981. However, the platform is relatively expensive. It is overhauling its fee structure, so from the beginning of March, the platform fee for ISA will be 0.35 per cent a year and the shared dealing cost will be £6.95 with an online fund cost of £1.95, which is still above its peers.

Fidelity: One of the most established platforms in the UK and owned by one of the world's largest asset managers. Fidelity charges 0.35 per cent a year on investments or £7.50 a month if you have less than £25,000 deposited. It charges £7.50 per trade for stocks and shares or £1.50 as part of a regular savings plan.

A newer crop of platforms has sprung up. These don't have the infrastructure of their more

established peers and can therefore charge lower fees. However, while these platforms might seem cheaper at first, investors can be drawn into subscriptions on the account, which hike up the overall cost.

Trading 212: This company is one of the most established low-cost players in the UK. Account holders only need £1 to get started and there is no management fee for the platform. There are no fees to buy and sell shares or funds. Investors can also trade fractional shares in their accounts.

Freetrade: This platform also offers commission-free investing on thousands of stocks and ETFs and no annual charge for its stocks and shares ISA. However, to unlock a higher interest rate on uninvested cash (up to 3.5 per cent at the time of writing) and a reduced foreign exchange rate when trading overseas, investors will have to pay £10 a month for the platform.

IG: Managed by the listed financial services group of the same name, this account has a minimum investment amount of £1, allows investors to trade all over the world, and has no trading or account management fees.

Lightyear: Another account that charges no management or trading fees for investors. However, the platform has less than half the investments offered by the likes of Trading 212, which is something to consider.

Low-cost platforms that offer a more limited choice include:

Vanguard: Investors can only buy and sell the company's range of funds and the account charge is £4 a month if the balance is below £32,000. The charge is 0.15 per cent a year above this level, with a maximum of £375. There's no dealing charge on the platform.

Columbia Threadneedle: Run by the \$700bn asset management giant, this company's stocks and shares ISA has a flat annual fee of £72, with no trading fees for investors who trade online. You can start investing with as little as £2,000 or a monthly deposit of £25. The platform is focused on the firm's range of investment trust, which provide a range of investment opportunities, including access to equities, bonds, property and private equity.

InvestEngine: This platform does not charge any annual management fee or trading fee, but investors can only buy and sell a range of ETFs on the platform. The minimum investment is £100.

Robo-advisors

Stocks and shares ISA providers that offer a managed or automated service charge a bit more per account, but they can be a good option for investors who are not interested in investing themselves but want to benefit from the wealth-creating power of a stocks and shares ISA over the long term.

Wealthify (owned by Aviva): This robo-advisory

platform charges 0.6 per cent a year to manage investors' portfolios, and the average annual cost of funds used on the platform is between 0.17 per cent and 0.58 per cent for ethical funds.

Moneyfarm: This platform has a tiered pricing structure starting at 0.3 per cent and rising to 0.7 per cent on assets every year. The underlying cost of the funds is between 0.11 per cent and 0.24 per cent, meaning investors could be paying just under 1 per cent a year across the portfolio.

JP Morgan Personal Investing: Managed by one of the world's biggest banks, this platform uses both a robo- and a human-advised approach. Investors can opt-in to receive a call from wealth planners if they wish. However, it is at the expensive end of the spectrum, charging an annual management fee of 0.45 per cent to 0.75 per cent a year for services within an average additional fund cost of 0.2 per cent to 0.43 per cent.

Investment managers

Full-service portfolio management companies are most suitable for investors with larger portfolios who don't want to provide any input in managing their investments. They are much more expensive than robo and DIY platforms, but they are aimed at a particular type of client who is willing to pay more for the service.

Rathbones Investment Management: This firm was awarded the best discretionary fund manager 2025 award by Moneyfacts group and is one of the largest wealth managers in the country. Investors need around £150,000 to get started and the company charges 1.1 per cent per annum on the first £1 million of the portfolio, excluding transaction fees and underlying fund costs.

JM Finn: Is aimed at a different class of investor, younger professionals who don't have as much money to invest as Rathbones clients. The minimum portfolio for the wealth manager is £25,000 and it charges an annual management fee of 0.6 per cent for managed ISA services (although additional services can send this above 1 per cent). Investors who want to place their own trades only have to pay £750 plus VAT per annum. Dealing fees and fund management charges apply on top of this annual cost.

St James's Place: This is one of the largest wealth management companies in the UK, with assets under management of just over £220bn. The company uses a network of advisers to provide face-to-face advice to its clients, which can include financial planning, pensions and stocks and shares ISAs. St James's Place charges an initial advice fee on the first £250,000 of investment of 3 per cent and an ongoing charge fee of 0.8 per cent on the value of your account. Fund management charges also apply as the platform uses its own funds. The total management fee and fund cost can average 1.5 per cent a year for a stocks and shares ISA, excluding the initial advice fee. ●

Execution and Maintenance

Digital wealth How robo-advisors can inform decision-making

Using automated, algorithm-driven platforms to manage your investments

Robo-advisors are digital-first solutions that use algorithms and automation to provide financial planning and investment services. They are designed to be a hands-off, low-cost alternative to traditional human financial advisors.

The largest platforms in the UK today are: JP Morgan Personal Investing, which uses a hybrid human-robo approach; Wealthify, owned by Aviva; and Moneyfarm, which has won multiple awards for its services. Other platforms offering a lightweight version of robo-management – designed to be easy to use and requiring low minimum investments for new users – include Lightyear, InvestEngine, IG Smart Portfolio and eToro. These platforms allow savers to put away as little as £50 a month, which is then invested in a diverse portfolio of assets.

Robo-onboarding

The process for signing up to one of these digital advisors typically starts with a questionnaire about your financial goals – for instance retirement or buying a home – as well as your investment horizon and risk tolerance. Based on your responses, the platform will select a portfolio of funds – usually exchange-traded funds (ETFs) – best-suited to your needs and long-term goals.

Robo-advisors draw from historical trading data to determine portfolio returns, which they then use to build a portfolio that should meet the investor's goals and objectives.



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world of investments

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When the portfolio is in place, the software automatically monitors your account. It performs tasks like rebalancing (buying or selling assets to maintain your original risk level) automatically.

The platform also automatically invests using fractional shares and funds. This allows the system to buy 0.001 per cent of an ETF, ensuring that every single penny of your £50 monthly contribution is put to work immediately rather than sitting idle.

The cost of going robo

As they offer a more rounded service, robo-advisor platforms tend to cost more than do-it-yourself (DIY) platforms.

The top providers currently charge annual management fees of between 0.25-0.75 per cent on investor assets. On top of this, investors will need to pay underlying fund charges, which are usually in the range of 0.05 per cent to 0.22 per cent for passive investment funds, but can be much higher for active investment strategies. DIY investors also have to pay this fee.

Then there's the cost of buying and selling investments, which investors pay via the "bid-ask spread". This is the difference between the highest price a buyer is willing to pay for an asset (the bid) and the lowest price a seller is willing to accept (the ask). This cost can add 0.1 per cent a year.

In total, investors should expect to pay between 0.5-1 per cent per annum, all in, for a robo-advisor service. The top providers currently charge annual

management fees of between 0.25-0.75 per cent on investor assets. This fee falls the more you're able to invest – for example, JP Morgan Personal Investing charges 0.45 per cent on the first £100,000 and 0.25 per cent thereafter.


Psychological advantage

Automating the investment process can provide a significant psychological advantage. The "behaviour gap" is the difference between what an investment returns and what the investor actually earns.

Humans are hardwired for survival, not the stock market; when the FTSE 100 drops, our prehistoric brains scream, prompting us to panic and sell to protect our interests. Robo-advisors act as a psychological circuit breaker. By automating the process, they remove the ability to make a panic-induced trade on a Tuesday morning.

Some platforms also use something called "sentiment analysis": if you open the investment app on your phone ten times in one hour during a market dip, the AI recognises this "anxiety pattern" and proactively serves you a video message or a notification to explain the situation and nudge you towards making the right decision.

It's difficult to pinpoint exactly how much poor trading decisions could cost you, but some studies have pegged the figure at 2-4 per cent a year. That suggests robo-advisors are worth the additional cost compared to DIY platforms. ●



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Execution and Maintenance

Passive vs Active Which fund type better complements your goals?

For UK investors, small differences in fees can add up over long-term investments

For decades, the active management industry enjoyed a near-monopoly on the investment landscape, predicated on the promise of "alpha", or the ability to generate returns in excess of a benchmark.

However, a mountain of performance data, a widening gap in management fees, and a massive shift in industry scale have increasingly tilted the scales toward the passive investment approach.

Active funds aim to outperform a specific market benchmark, such as the S&P 500 or the FTSE 100, by selecting individual securities and timing trades.

By comparison, passive funds track a broad market index, such as the S&P 500 or the MSCI All World. By forgoing the expensive research teams and high turnover associated with active trading, passive vehicles, typically index funds or ETFs aim to match the performance of the market at the lowest possible cost.

The arithmetic of costs

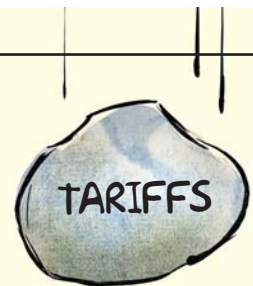
The most immediate and quantifiable difference between active and passive investing lies in the cost structure.

According to data from PWL Capital and Morningstar released in early 2025, in the United States, the average asset-weighted expense ratio for passive equity funds has hovered around 0.05-0.1 per cent, with some "core" ETFs offering exposure for as little as 0.02 per cent. In contrast,

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actively-managed equity funds frequently charge between 0.6 and 1.3 per cent.

A 1 per cent difference in fees may sound negligible to an investor in a single year, but when compounded over a 25-year investment horizon, it really adds up.

For a UK investor with a £100,000 stocks and shares ISA, the difference between a 0.06 per cent tracker and a 1.25 per cent active fund over 25 years is astonishing. At the end of 25 years, assuming a 7 per cent annual growth rate, the stocks and shares ISA with the higher fee would be worth just £403,000, while the ISA with the passive fund would be worth £534,000 – that’s a total additional gain of £131,000

Outperformance

Costs are only part of the equation. The S&P Indices Versus Active study has tracked the performance of active managers for over two decades. Over this period, only 10 per cent of active US equity managers beat the S&P 500. Meanwhile, Morningstar’s Active/Passive Barometer found that only 22 per cent of all active funds outperformed their average passive peer over the decade ending in 2024.

Even in sectors where active management is traditionally thought to have an edge, such as small-cap stocks or emerging markets, the results are mixed. While active managers in UK Small Caps saw a 42 per cent success rate over five years, the

majority still failed to justify their fees over the long term. A report from AJ Bell in mid-2025 noted that in the first half of the year a total of 51 per cent of active global funds outperformed. And yet, only 24 per cent of active equity funds available to UK investors managed to beat a passive alternative over the last ten years.

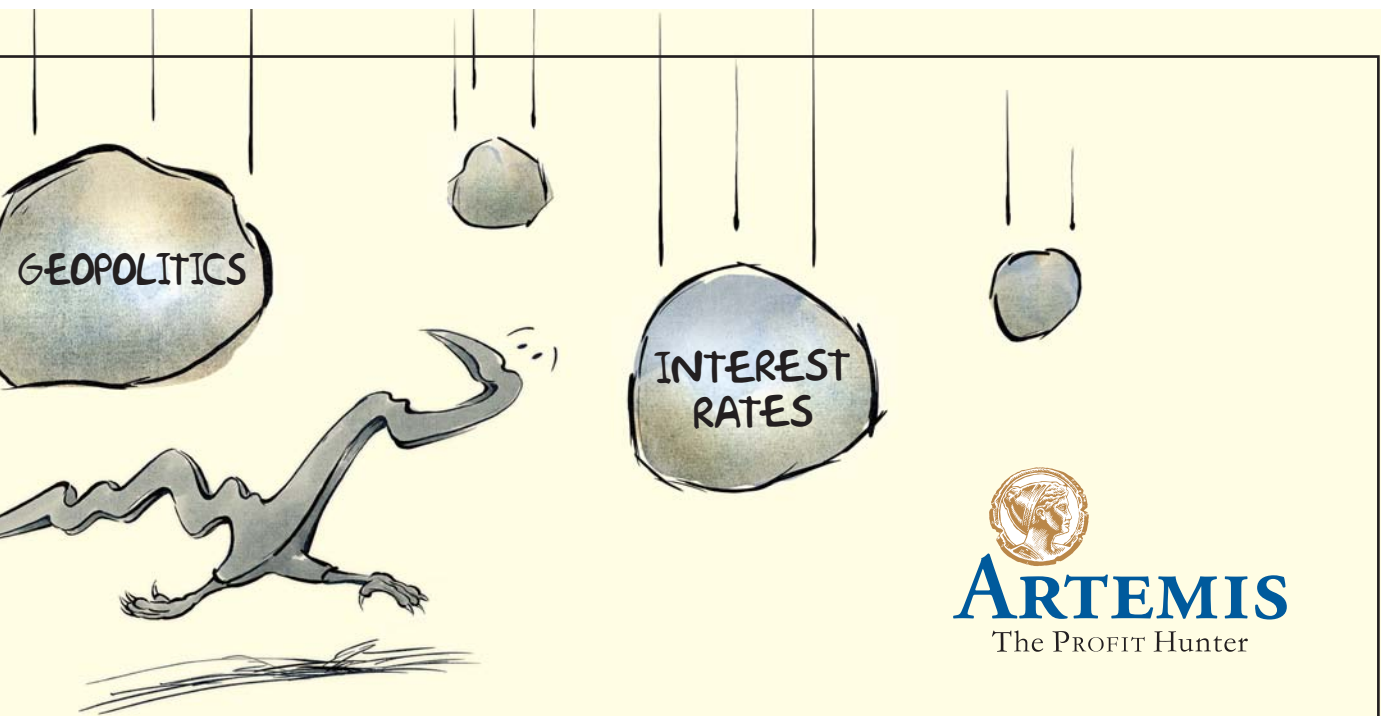
The great migration

The performance of passive funds and their cost advantage have led to an influx of assets into passive funds. According to the Investment Company Institute (ICI) data from December 2025, the total assets in US index-based mutual funds and ETFs reached \$19.26trn, officially surpassing the \$17.40trn held in actively managed funds. In Europe, the total assets in active mutual funds and ETFs stood at around €9.3trn, while passive assets totaled €4.1trn.

Active edge

That’s not to say active ETFs, funds, investment trusts and single stocks are necessarily a bad investment. Some, such as wealth preservation trusts, private equity trusts, and infrastructure trusts, provide exposure to assets that would be impossible to replicate with passive funds.

Active funds focused on particular themes or markets have also proven their worth, although, as the data shows, investors need to be careful where they look. ●



Talk to your financial adviser or scan to find out more.



Asset Allocation

The ETF revolution Enjoy high flexibility and low management costs

Less than three decades since its inception, the ETF market continues to evolve at pace

Over the past 20 years, exchange traded funds (ETFs) have risen to prominence to become one of the most popular investment instruments around the world.

The first ETF was launched in 1993 as an alternative to mutual funds in the US or a unit trust or open-ended fund (OEIC) in the UK. It was the S&P 500 SPDR, a fund that tracks the performance of the benchmark S&P 500 index. Today, it remains one of the largest ETFs in the world, with over \$500bn in assets (the largest ETF is Vanguard's S&P 500 ETF (VOO) with nearly \$900bn in assets)

One of the benefits of ETFs that immediately appealed to investors was the ability to trade them on an exchange like any other stock. Previously, investors who wanted to trade in and out of a mutual fund or unit trust had to wait several days for a trade to settle. And because the structure of an ETF is relatively straightforward, the fund's management costs have always been significantly lower.

The costs have only decreased as the industry

has grown, with some funds now charging as little as 0.01 per cent. According to data compiled by Morningstar, the average ETF management fee is around 0.51 per cent compared to 1.01 per cent for the average US mutual fund. That extra 0.5 per cent a year really adds up for investors over the long-term.

The vehicle's structure also allows it to hold a wide range of assets. The industry quickly expanded from equities to other assets, including bonds, commodities, and currencies.

While it took some time for investors to discover the appeal of ETFs, throughout the 2000s, the industry expanded rapidly, launching new funds which included strategies that involve complex derivative transactions, such as ETFs designed to capitalise on market volatility and even leveraged ETFs that provide double or triple the exposure to the daily movement of a particular asset. Not all of these have been as successful as the flagship passive index tracker vehicles.

Active ETFs

In 2008, the first actively managed ETF was launched. Previously, ETFs were primarily passive vehicles that tracked an underlying benchmark. The launch of the first active ETFs pitted the structure against the entrenched active management industry. In the years since, the sector has continued to grab an increasingly large share of global funds under management from traditional asset managers.

According to Franklin Templeton, at the end of 2025, ETFs accounted for 37 per cent of total fund assets worldwide, up from 26 per cent four years earlier. A total of 53 per cent of fund launches in 2025 were ETF vehicles as investors increasingly favour this structure over others.

Flexibility

Franklin Templeton believes the shift is driven by how investors want to manage their portfolios today. ETFs are more transparent than other fund vehicles, liquid and flexible. ETFs generally have to publish their holdings to maintain transparency, with most publishing their full portfolio daily. For investors, this means greater precision in deploying capital, allowing them to pick and choose where they want to invest while keeping fees low.

As the market for ETFs has grown, assets under management and administration at the world's largest ETF providers have exploded.

BlackRock is the world's largest asset management firm with \$4trn in assets under management. It manages nearly 500 ETFs with an average expense ratio of 0.15 per cent and its largest ETF is the iShares Core S&P 500 ETF, which tracks the S&P 500 Index. Vanguard is the second largest manager with just under \$3.9trn in assets under management and 100 Vanguard-branded ETFs. The average expense ratio across its ETFs is 0.04 per cent. The other top three providers are State Street, Invesco and Charles Schwab. ●

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Asset Allocation

Global horizons Beware overly weighting your exposure at home

Those who fail to look beyond London-listed equities cannot make the most of their investment

Investors have failed to capitalise on the flexibility the stocks and shares ISA wrapper provides. They tend to exhibit a home bias towards the UK, with an average allocation of 30 per cent to 40 per cent to London-listed equities in their portfolio.

But the UK accounts for just 3 per cent of the MSCI World index of global developed equity markets. That's not to say that investors should cut their exposure to the UK down to 3 per cent, but in the context of global markets, any portfolio with more exposure can be considered to be 'overweight' to the UK.

Although the most important financial centre after New York, the London Stock Exchange's footprint has shrunk over the past 20 years. The number of listed companies has declined by around 25 per cent since 2007 and the country's share of the global equity market has fallen from around 10 per cent to its current weighting of 3 per cent.

Today, the total market capitalisation of companies listed on the London Stock Exchange is

around \$4trn, the same as it was in 2007. However, the total value of listed equities worldwide has increased from around \$68trn in 2018 to around \$145trn today.

In 2007, the world's largest listed company was ExxonMobil. Its \$480bn value represented 12 per cent of the total market capitalisation of all companies listed in London. Today, the world's largest listed company, NVIDIA, is worth \$4trn, more than all the companies listed on the London Stock Exchange combined.

The London market has never been much of a hub for global tech companies and this is where the money has been flowing since the financial crisis. Investors have flocked to the magnificent seven group of technology stocks, Amazon, Microsoft, Alphabet, Nvidia, Apple, Meta, Tesla and all of which are listed in the US.

Chinese tech giants such as Alibaba and Tencent have also attracted capital, along with Taiwan Semiconductor Manufacturing Corp (TSMC), the world's largest chip producer.

For Stocks and Shares ISA investors, it's never been easier to build exposure to themes such as technology or particular countries. Indeed, exposure to specific countries can add another layer of diversification to a portfolio. For example, investors can buy exposure via an ETF, active equity fund, passive fund or investment trust to China, India, Vietnam, Japan and other fast growing Asian markets.

Alternatively, investors can choose American-only funds and trusts, some of which focus specifically on technology companies. For example, Polar Capital's Global Technology Fund focuses on global tech stocks and, over the past ten years, has turned £10,000 into £89,000 while the FTSE All-Share index of UK equities has turned £10,000 into just £24,000. Baillie Gifford's US Equity Growth Fund has turned £10,000 into £33,000 over the past ten years.

The best way to buy exposure to the whole world is via a global equity market tracker, such as the MSCI All Countries World index. This tracks the performance of all listed equities, so if global equity markets do well in aggregate, the portfolio will do well. Over the past decade, an investment in a low cost tracker following this index has turned £10,000 into £33,000.

Alternatively, investors can choose to invest in a developed market or an emerging market tracker index. The MSCI Developed Market index represents the 23 most developed and liquid stock markets in the world, while the MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

There are also sector-specific funds investors can choose for exposure to global markets such as the Vanguard Health Care ETF, Legal & General's Global Real Estate Equity Index Fund, and the Guinness Global Energy fund, which seeks capital growth through exposure to global energy markets. ●

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Asset Allocation

Gold investment The geopolitical insurance policy of choice

There are a number of avenues to explore for investors looking to increase their gold exposure

Every investor should consider allocating some of their portfolio to gold as a hedge against unforeseen risks.

Gold is one of the oldest assets, yet it remains one of the most important in the world. The price of the yellow metal has more than doubled since late 2023, repeatedly hitting all-time highs in a sustained rally. It outperformed major equity benchmarks in 2025, posting an eye-popping 65 per cent return, its strongest single-year return since 1979.

Investors were rushing to buy gold amid rising geopolitical uncertainty and inflation concerns. Indeed, gold is often referred to as an insurance policy or safe haven in a volatile world, as it does not have any counter party risk.

Unlike a company that can go bust or a currency that can be overprinted, gold doesn't rely on a bank or government to be valuable. It's worth the same to investors worldwide and can

be relied on to maintain its value during periods of instability. The last five times the US benchmark index the S&P 500 declined 20 per cent, gold has averaged a 6 per cent return.

Gold has also proven itself to be a good hedge against inflation or store of value. According to research conducted by US investment bank JP Morgan, when US consumer price inflation has exceeded 3 per cent to 4 per cent in a single year, gold has averaged a one-year return of 13 per cent

The five per cent rule

With all of the above in mind, most analysts recommended investors hold a percentage of their portfolio in gold, with the majority agreeing that an allocation of around 5 per cent would make sense.

There are several ways for investors to build this exposure. Physical gold comes with tax benefits, but you cannot hold physical gold bullion, coins or bars directly inside a Stock and Shares ISA.

However, investors can hold exchange traded commodities (ETCs). These are financial instruments that trade like shares but are 100 per cent backed by physical gold stored in secure vaults. iShares Physical Gold (SGLN), Invesco Physical Gold (SGLD) and the Royal Mint's Gold ETC are three options here. The funds charge around 0.15 per cent per annum and can be bought or sold on the stock market at the click of a button, unlike physical gold.

Gold miners

Investors can also build exposure through gold mining companies. Mining stocks are often more volatile than gold itself, as they have what's known as operating leverage.

Miners have a fixed cost of production, say \$2,000 per-ounce, and anything over that is profit. As such, any increase in the gold price goes almost entirely toward expanding the profit margin once the "break-even" point is met. In this example, if gold rises from \$2,100 per-ounce to \$2,200, that's a 5 per cent increase, but a 100 per cent increase in profit for the miner.

Newmont Corp. (NEM), Barrick Mining Corp. (GOLD), Wheaton Precious Metals (WPM), AngloGold Ashanti (AU) and Fresnillo (FRES) are some of the world's largest gold and silver miners for investors who want to take this route.

Unlike gold itself, miners can also pay dividends. Active funds, such as BlackRock Gold and General and the Ninety One Global Gold Fund or the passive VanEck Gold Miners ETF (GDX) are ways to buy a diversified basket of these stocks.

Gold bars and coins

The third and final option for investors who want to build some exposure to gold in their portfolio is to buy the physical metal itself.



It is widely recommended that 5 per cent of one's portfolio be allocated to gold

While it is not possible to own physical gold within a Stocks and Shares ISA wrapper, buying the physical metal does have its own tax benefits.

Gold trading

While the idea of owning physical gold conjures up images of gold bars and coins, investors don't have to own a bullion vault if they don't want to.

DigiGold is a digital investment service offered by The Royal Mint that allows individuals to buy, hold, and sell physical gold, silver, and platinum in fractional quantities. You can start investing from as little as £25 and all DigiGold is backed by physical, LBMA-approved metal stored in "The Vault" at The Royal Mint's secure facility in South Wales.

The trading platform allows investors to buy and sell at a relatively tight spread - the difference between the buy price and the sell price. Buying and selling physical gold can be very expensive, with buyers and sellers paying a spread of around 5 per cent to 10 per cent in some places, but much more on the high street. Digital gold gets around this issue. It also gets around the issue of storing valuable physical items at home.

For its service, the Royal Mint charges a 1 per cent fee and 0.5 per cent a year in management charges.

DigiGold is VAT-free for non-VAT registered individuals and it is not exempt from capital gains tax for UK customers. It's important to note that all physical gold is VAT free in the UK, but that does not extend to silver.

Bars and coins

Buying physical bars and coins is the other option investors have. Gold bars are often cheaper to buy per gram because they have lower manufacturing costs than coins. However, they can be harder to store, transport and sell.

Gold sovereigns and Britannias, on the other hand, have a few advantages. For a start, they are technically British currency and as a result, they are completely exempt from capital gains tax. They are also VAT-free and far easier to store and transport. They may also have inheritance tax advantages if used correctly.

Storage is the key point. If you store gold at home, your standard home insurance likely will not cover it. You usually need a high-grade safe or pay for a safety deposit box.

These additional costs can add up, and as a result, it may only make sense to store physical gold yourself if you have enough of it to make it worthwhile.

A physical home safe can cost up to £1,000 and a bank safety deposit box can cost several hundred pounds a year.

Buying and selling

When buying and selling physical gold, it really does pay to do your research. The Royal Mint is the official source of gold trading in the UK, but because of this, investors may pay a premium to purchase physical gold from the entity. Other firms, like BullionByPost and Atkinsons Bullion, are also worth considering.

Dealers often charge a premium over the spot gold price, which can widen during periods of market volatility. A fair premium for a 10z gold coin is usually between 3 per cent and 5 per cent. At the time of writing, dealers are charging a premium of around 6 per cent.

Dealers also charge investors a fee to sell by paying below-market prices when purchasing gold. Once again, the spread here can vary significantly depending on market conditions and demand. Currently, dealers are paying around 5 per cent to 6 per cent below market price to buy back 10z coins for investors. ●

Asset Allocation

Investment trusts The market's best-kept secret?

Weathering volatility: the versatile nature of close-ended funds

For those stocks and shares ISA investors seeking a “set-and-forget” strategy that can weather global volatility, investment trusts remain among the most flexible vehicles available.

These vehicles are funds structured as limited companies with a fixed number of shares. That means trusts operate with a permanent pool of capital and managers are not forced to sell assets to meet daily investor redemptions, unlike open-ended funds (ETFs or unit trusts). This structural advantage makes them uniquely suited for illiquid “all-weather” assets, including private equity, renewable infrastructure, and specialist holdings such as container ships.

Shares in trusts trade freely on the London Stock Exchange and the price is set by supply and demand. As a result, the shares can trade at a discount or premium to the value of the trust's underlying assets, or net asset value, in investment trust language. In fact, at the beginning of 2025, the average investment trust traded at a 12.5 per cent discount to the value of its underlying assets (excluding 3i, the largest trust). This means investors were able to pick up £1 worth of assets for around 87.5p.

Trust giants

Two of the largest and oldest investment trusts are F&C Investment Trust and Alliance Witan. F&C provides exposure to more than 400 global companies and private equity holdings. It is a renowned “dividend hero”, having increased its



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*Source: IMF WEO, October 2025.

dividend for 54 consecutive years. Alliance Witan was born out of an October 2024 merger between Alliance Trust and Witan. Now a member of the FTSE 100, it uses a unique multi-manager approach, outsourcing stock-picking to a “best-of-breed” selection of global specialists. This strategy aims to deliver consistent real returns regardless of which style, value or growth is in fashion. Like F&C, it boasts a staggering record of 59 years of consecutive dividend increases, making it a cornerstone for those seeking reliable income growth.

Specialist sectors

For investors looking beyond standard equities, specialist trusts offer access to niche markets. Investment giant 3i owns a portfolio of private equity assets, including the European discount retailer Action, as well as infrastructure assets. Pantheon International and HgCapital Trust are two other private equity players. The latter owns a portfolio of high-growth software and service businesses – the sorts of companies that are not available on the London Stock Exchange. In the 20 years leading up to October 2025, HgCapital delivered a return of 1,236 per cent (13.8 per cent per annum), outperforming the rest of the UK market by a wide margin.

A hybrid trust that owns both private and public assets is Scottish Mortgage. This company’s largest asset is its stake in SpaceX, the aerospace company founded by Elon Musk. This stake was acquired for \$200m in 2018 and is now worth over \$3.3bn. With

SpaceX planning a massive IPO in 2026, trusts like these remain the only way for average investors to participate in what many are calling the “financial event of the year”.

Trusts are also well-suited to owning assets in emerging and developing markets, where it can be difficult for ETFs and open-ended vehicles to build large positions due to limited market liquidity. With their fixed pool of capital, trust managers can spend time accumulating assets, safe in the knowledge they won’t have to undertake a firesale if investors start to pull their cash.

Wealth protection

As the name suggests, wealth protection trusts focus on wealth protection. They’re designed with a primary goal of protecting your capital from significant market downturns while still achieving steady, inflation-beating, long-term returns.

For example, Personal Assets Trust has a significant allocation to gold bullion (12 per cent at the end of 2025) and cash-like instruments, as well as inflation-linked bonds. Capital Gearing Trust focuses on preserving real wealth through index-linked bonds and a cautious stance on risk assets. The Ruffer Investment Company uses active hedging, including credit default strategies, equity derivatives, and yen call options to profit when markets fall. The company has been wary of high US stock valuations, preferring UK equities, precious metals, and cash (which they recently boosted to 15 per cent).●

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Asset Allocation

The case for single stocks Potential for boosted returns comes with heightened risk

Do your research and invest only in businesses you're comfortable holding for the long term

Most investors are better off sticking to investment funds, ETFs, index funds and investment trusts in their portfolio. However, some may be interested in adding single stocks to a portfolio to boost returns.

Single stocks give investors scope to build and adapt their own portfolios around the companies they like or associate with. It can also lead to higher returns. While index funds are structured so they can never outperform the market, individual stocks can double or triple in value.

Investors may find it easier to build a high-income portfolio by picking and choosing their own holdings, rather than relying on a fund manager.

And as you're doing all the work yourself, there aren't any management fees associated with buying and selling individual stocks as there are with funds. Investors will have to pay commission on trading, but that's it.

The risks

While owning single stocks can lead to higher returns, it can also lead to bigger losses. Roughly 90 per cent of all professional fund managers have failed to beat the market over the past 20 years. If the professional can't beat the market, the average investor is really going to struggle.

What's more, research from JP Morgan and Dimensional Fund Advisors has shown that roughly 40 per cent of all stocks have suffered a "catastrophic loss" or more than 70 per cent decline and have never recovered.

Investors who want to manage their own portfolios and pick stocks need to be aware of these sobering statistics.

That's not to say that picking stocks and shares will always end in failure. Many investors have made small fortunes buying and selling stocks. The key is to do your research and invest only in businesses you're comfortable holding for the long term. Diversification is also essential.

Core and satellite

Many investors use a "core and satellite" strategy. They put 80 to 90 per cent of their money into safe index funds (the core) and use the remaining 10 to 20 per cent in single stocks (the satellites).

This helps diversify the risk of loss. If 10 per cent of a portfolio is allocated to ten stocks, if one of these businesses fails, the investor will only lose 1 per cent of their net worth, a difficult but far from terminal loss. If that entire 10 per cent was devoted to just one stock and it went to zero, it would have wiped out 10 per cent of the investors' net worth, a loss that could take years to recover from.

Using this approach, investors can buy into their favourite businesses without risking everything if they make the wrong choice.

To further reduce the risk of loss, unless they're comfortable spending time and energy researching businesses, investors should focus on the world's largest and most innovative companies. Adding these to a portfolio can help investors diversify their portfolios while building exposure to the world's most exciting growth trends.

There are one-of-a-kind companies all over the world that investors shouldn't ignore. For example, Ferrari, the world's premier supercar manufacturer, has no equal and is listed on both the New York Stock Exchange and the Italian Stock Exchange.

ASML manufactures high-precision equipment used in the production of microchips, and has no peer. It's one of the largest companies in the Netherlands. Elsewhere, there's Samsung Electronics, listed in Korea. The company is one of the world's largest electronics groups and an important supplier of memory chips.

There's also Roche, the Swiss pharmaceutical giant and leader in the field of oncology or cancer treatment. LVMH is the world's largest luxury



90 per cent of fund managers have failed to beat the market over the last 20 years

goods company, listed in Paris, with a global footprint and some of the world's most unique brands under its umbrella, including Moët, Hennessy and Louis Vuitton.

These companies are some of the best in the world, and they have no equal. This isn't just about finding opportunities outside the UK, but finding the best companies in the world at what they do. Stocks and Shares ISA investors have a great deal of flexibility about where and how they can invest. It makes sense to buy the best companies in the world for their portfolios.

Unfortunately, most of these companies are out of reach for the average investor. With some shares trading for hundreds or even thousands of pounds each, it's become difficult for the average investor to participate in the growth of these businesses.

However, key rule changes around fractional share ownership could shake things up.

High prices

Fractional shares took on a new meaning in 2019, when platforms began allowing customers to purchase them directly.

Previously, this tool was only available to investment banks. After 2019, technically, investors could only acquire fractional shares within General Investment accounts until the Chancellor changed the rules in her budget at the end of last year.

Under the new rules, investors and savers can own fractional shares in their stocks and shares ISA, enabling them to start building positions in their favourite companies for a fraction of the cost of a full share.

The ability to trade fractions of a share has become increasingly useful for investors over the past decade as shares in the world's largest tech companies have reached new highs.

Shares in Alphabet and Amazon are trading at

\$200 and \$300, respectively, with Meta now worth \$650 a share. However, these prices pale in comparison to those of Berkshire Hathaway, the insurance conglomerate formerly managed by Warren Buffett, who's widely considered one of the best investors of all time. Shares in Berkshire are worth \$750,000 each.

Fractional shares

Fractional shares allow investors to own a fraction of a stock, rather than a whole share. The price of the fraction is based on its relation to the whole share value.

For example, tech giant and leading AI player Microsoft is trading at \$400 a share, which makes it challenging for the average investor to acquire as part of a well diversified portfolio.

Platforms such as Trading 212 allow investors to invest as much as they like through fractional shares. This means investors can invest as little as £1 to buy a stake in one of the world's most important technology companies. With an investment of just £7, investors could acquire a portfolio of all the magnificent seven.

The platform has pioneered fractional share trading in the UK. It enables fractional share trading at no cost to investors by combining smaller orders to create whole shares.

Unlike other platforms, such as eToro, free trade, XTb and Lightyear, which also offer low-cost fractional share trading, the platform allows investors to set their own buy and sell prices, also known as limit and stop loss orders

Trading 212 also allows investors to trade around the clock and hold fractional shares within a Stocks and Shares ISA.

Other platforms do allow fractional share trading as well as full share trading for those investors who're able to buy the full shares in their entirety. ●

Asset Allocation

Fixed income Boost your returns with bonds

Rising interest rates have renewed appetite for fixed income products

Cash ISAs are the first place savers look when hunting for low-risk income on their money, but it's also worth considering bonds in a stocks and shares ISA wrapper.

For much of the past two decades, bonds haven't really offered much in the way of return. With interest rates held at or near 0 per cent, most bonds offered pretty dismal returns.

However, that began to change in 2022, when the Bank of England started to hike interest rates to bring inflation under control. The Bank of England base rate rose from 0.25 per cent at the end of 2021

to 5.25 per cent by the end of 2023.

This interest rate shift renewed the appeal of bonds and other fixed-income products for investors.

What is a bond?

In its simplest form, a bond is an IOU. Countries and companies issue bonds to investors in return for an annual interest rate. The outstanding bond value, or principal, is repaid at the end of the bond term, which can range from one month to 100 years.

Governments like the UK issue bonds to finance public services and infrastructure, or to manage national debt. In the UK, government bonds are known as gilts.

Companies issue corporate bonds to fund projects such as building a new factory, acquiring a competitor, or developing a new product.

These corporate bonds can be split into two camps: Investment grade bonds, loans to high-quality companies (say, a Tesco or HSBC); and High yield bonds or junk bonds, which are issued by companies with weaker balance sheets.

The interest paid to investors in bonds is taxed as savings income, so it makes sense to hold these products in a tax-advantaged account like a stocks and shares ISA or SIPP.

Bond options

A type of bond fund that has become particularly popular in recent years is the money market fund.

These funds invest in very short bonds, typically government gilts that offer interest rates closer to the Bank of England rate. They can be a great alternative to savings accounts and investors often receive higher returns.

Royal London Short Term Money Market and L&G Cash Trust are two options that charge 0.1 per cent and 0.15 per cent respectively to manage investors' money. These are often considered to be the safest and most flexible type of bond fund.

Elsewhere, investors can buy gilt ETFs, low-cost Exchange Traded Funds offered by the likes of Shares or Vanguard, which allow you to track the UK government bond market for very low fees, often 0.05 per cent to 0.15 per cent. These are also considered to be relatively risk-free investments.

Investors can also choose investment grade ETF bond funds and higher yield bond funds. Investment grade passive ETFs, such as the Vanguard UK Investment Grade Bond Index fund or Royal London Corporate Bond, usually offer a higher interest rate than government bond funds, while high yield funds currently offer high single digit returns.

Finally, there are strategic bond funds. These are go-anywhere actively managed funds in which a professional manager shifts between gilts, corporate bonds, and high yield based on their market views. Some of the biggest here include the M&G Corporate Bond and Invesco Corporate Bond. ●

Asset Allocation

ESG investment

A more holistic approach to managing money

These ratings reveal far more than a company's environmental performance

TFor investors who care about where they invest their money, funds that consider environmental, social and governance (ESG) criteria alongside traditional financial factors are definitely worth evaluating. ESG investing represents a more holistic approach to managing money. It takes into account non-financial factors and a business's impact on the world around it and its employees.

A better world

ESG is often mischaracterised as a singular focus on the environment. Indeed, proponents of this style of investing have been criticised for their emphasis on protecting the environment over all other factors.

In reality, only one of the three criteria,

environmental, concerns impact on the natural environment. Social factors include health and safety for employees, as well as labour and welfare standards for other workers across the business's supply chain.

It's a question of filtering out the companies that treat their employees and suppliers well and don't cut corners at the expense of profit.

Governance factors concern whether a company manages its business responsibly. These include whether a firm has anti-corruption policies in place and pays its taxes, the quality of financial disclosures, and whether minority shareholders are treated fairly by controlling shareholders.

Every investor should want to invest alongside businesses that do not exploit their staff, have policies to protect minority shareholders in place and produce high-quality financial disclosures. Therefore, all investors, whatever their stance, should consider ESG ratings. If only to filter out the worst offenders.

ESG options

There are a range of data providers analysing and compiling ESG ratings for investors.

MSCI, LSEG and S&P all provide detailed analysis for investors. Morningstar also compiles its own ratings, which are available for all investors online.

For example, the platform says Coke has risks in its supply chain and uses a high amount of water in its operations, two environmental and social risks. Morningstar gives the company a 'Significant' rating (three) on its 'Controversy Level' scale of one to five.

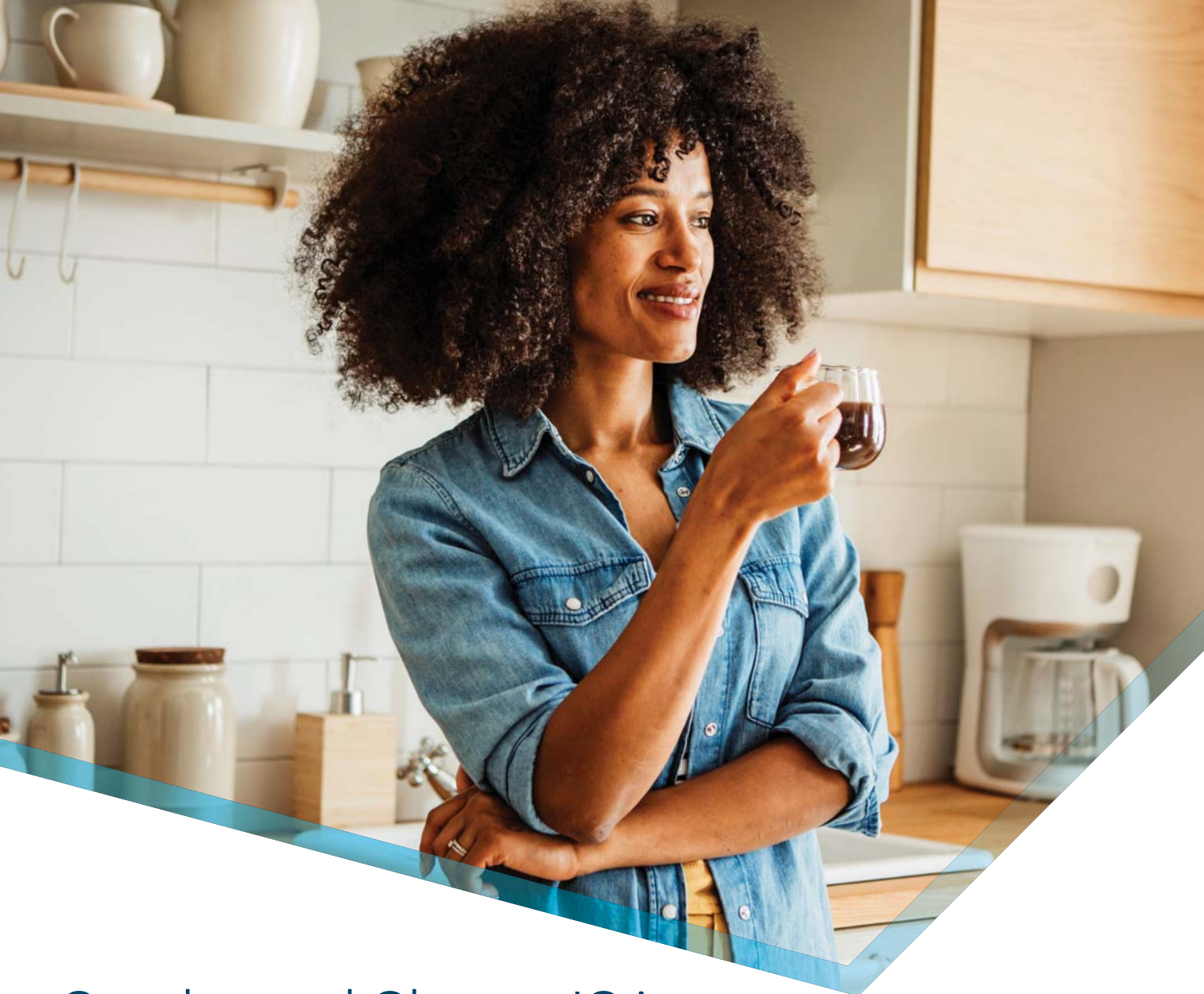
In comparison, Unilever's 'Controversy Level' is just 2 and Morningstar gives it 16 on its ESG Risk Rating, which goes from zero to more than 40. Coke's Morningstar ESG rating is a much higher 23.1.

ESG funds, in general, tend to be more expensive than other investment funds that do not have an ESG layer. That's because funds, whether active or passive, need to pay someone to do the research, whether that be a company like LSEG or something more bespoke, to determine if companies are meeting ESG criteria. Many investors are willing to pay a premium for this ESG research.

Some passive options include Vanguard's ESG Global All Cap UCITS ETF, Legal & General's Future World ETF and the iShares UK Equity ESG Screened and Optimised Index Fund. These funds charge between 0.04 per cent and 0.25 per cent per annum.

In the active space, there's the Baillie Gifford Positive Change Fund, which aims to hold 25-50 global high-quality growth companies that can deliver positive change in one of four areas.

These include social inclusion and education and improving "the base of the pyramid" (addressing the needs of the world's poorest populations). Impax Asset Management has carved out a niche in the space and manages several funds, including the Impax Global Social Leaders fund and the US Environmental Leaders fund. ●



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