

# THE REDZONE

The RedZone names and shames the worst-performing funds over three years. The DropZone brings funds to your attention which have underperformed their sector averages.

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The total number of funds in the RedZone this year is almost exactly the same as last year: 187 vs 184. The value of underperforming assets is also similar at £94.4bn – up about £700m over the period.

While the top-line figures don't immediately shout "improvement", there are some positives to be found in the detail. Most significantly, the number of underperforming funds in the UK All Companies and UK Equity Income sectors has continued to fall, with just eight and five funds in the table, respectively. This is good news for UK investors, who tend to have a bias towards these areas in their portfolios.

### Big isn't necessarily best

Global was again the worst sector, with 25 funds (one more than this time last year) and £9.79bn of assets under management. The second worst sector was the Flexible sector with 19 funds and £7.66bn of assets, closely followed by Mixed Investments 40-85% Shares in third place with 16 funds and £2.67bn of assets. Both of these sectors (and Mixed Investment 20-60% Shares, which was in fourth place) arguably have far too many funds and the underperformance suggests some consolidation wouldn't go amiss.

When it comes to companies, Aberdeen has marginally improved over the past year, with 13 funds compared with 15 in January 2017. However, when combined with the Standard Life Investment funds on the list the total is 18. Aberdeen and Standard Life merged in August 2017 and became one of the world's largest investment companies. The new entity, Aberdeen Standard Investments manages £583bn of assets. Their assets in the RedZone (£15.24bn) represent just 2.5% of the total.

HSBC is the second worst asset management company this year, with nine

funds and £1.6bn of assets and Old Mutual was third, with six funds and £1.8bn assets in the table. Old Mutual Global Investors is also about to undergo a shake-up: Richard Buxton, the chief executive of Old Mutual Global Investors, has completed a management buyout of the company, in partnership with private equity firm TA Associates, to buy the single strategy business. The multi-asset business of Old Mutual Global Investors is not part of this deal, and is being retained by the parent company. Of the six funds in the RedZone, three will go to each new part.

The largest fund to appear in the RedZone is Templeton Global Bond, which has £13.18bn of assets and has underperformed its sector average by more than 16% over three years. In second place is Carmignac Investissement, the global fund, which has £4.19bn in assets and has underperformed

THE DROPZONE	
% UNDERPERFORMANCE FROM SECTOR AVERAGE**	
<b>1</b>	<b>SF Webb Capital Smaller Companies Growth -78%</b>
<b>2</b>	<b>HC FCM Salamanca Global Property 1 -50%</b>
<b>3</b>	<b>MFS Meridian Global Energy -48%</b>
<b>4</b>	<b>Fidelity Global Telecommunications -42%</b>
<b>5</b>	<b>MFM Techninvest Technology -41%</b>
<b>6</b>	<b>Guinness Alternative Energy -39%</b>
<b>7</b>	<b>Carmignac Portfolio Investissement -33.71%</b>
<b>8</b>	<b>Aberdeen Global Asian Smaller Companies -27.62%</b>
<b>9</b>	<b>F&amp;C European Small Cap -27%</b>
<b>10</b>	<b>Dominion Global Trends Luxury Consumer -26%</b>

the global sector average by 20% over the period. JPM Europe Equity Plus is third, with £4.15bn, but a less disastrous 2.34% underperformance relative to its peers.

### DropZone

Having had a brief reprieve last year from the ignominy of being top of DropZone for so long, SF Webb Capital Smaller Companies fund has unfortunately returned to the number one spot. Although performance in 2017 was finally in positive territory, the fund still managed to underperform the sector average by almost 29% over 12 months, and the three-year underperformance is more than 77%. HC FCM Salamanca Global Property 1 has fallen to second place, underperforming the three-year sector average by 50%.

Three of the funds in the RedZone are arguably only making an appearance because they are industry-specific and their particular industry has performed poorly compared with the broader market. MFS Meridian Global Energy, Guinness Alternative Energy and Dominion Global Trends Luxury Consumer are all in the global equity sector but obviously reliant on a smaller universe of companies.

A fourth fund, Fidelity Global Communications, is the only telecommunications fund in the 16-strong Technology & Telecoms sector. As Technology has had such a strong year, it is unsurprising the telecommunications fund looks to have performed poorly in comparison. However, the comparison is also unfair in our view and the industries are very different. These four examples lead me to question why they are not put into the 'specialist' sector where they arguably belong.

One final fund in the table that I'll bring to your attention is Virgin Climate Change. It narrowly escaped being in the DropZone, having underperformed its sector average by 23%. It has an eye-watering 1.75% annual management charge which won't have helped returns. On page 34-35, Ryan looks at responsible investing and the different funds available that try to make your investments work in a more ethical way. Lower charges would also set a higher moral standard.

	3 Year % growth	Quartile position
<b>Asia Pacific Excluding Japan</b>		
Aberdeen Asia Pacific Equity	38.23	4
Aberdeen Global Asia Pacific Equity	38.15	4
<b>1</b> Aberdeen Global Asian Smaller Companies	24.62	4
Aviva Inv APAC Equity MoM 1	45.74	3
Janus Henderson Asian Dividend Income	43.55	4
Legg Mason Martin Currie Asia Long Term Unconstrained	40.16	4
Matthews Asia Asia Small Companies	32.70	4
<b>Sector average</b>	<b>52.24</b>	

	3 Year % growth	Quartile position
<b>Asia Pacific Including Japan</b>		
GAM Star Asia Pacific Equity	58.99	4
<b>Sector average</b>	<b>62.19</b>	
<b>China/Greater China</b>		
Baring China Select	55.89	4
Baring Hong Kong China	55.70	4
HSBC Chinese Equity	57.74	3
<b>Sector average</b>	<b>62.30</b>	

	3 Year % growth	Quartile position
<b>Europe Excluding UK</b>		
Legg Mason IF Martin Currie European Equity Income	38.47	4
MFS Meridian Continental European Equity **	28.57	4
Old Mutual Henderson European Standard Life Investments European Equity Growth	43.35	4
Standard Life Investments European Equity Income	47.95	3
<b>Sector average</b>	<b>49.23</b>	

	3 Year % growth	Quartile position
<b>Europe Including UK</b>		
JPM Europe Equity Plus	38.74	3
MFS Meridian Blended Research European Equity **	27.53	4
MFS Meridian European Research **	20.68	4
Virgin Climate Change	17.92	4
<b>Sector average</b>	<b>41.08</b>	

	3 Year % growth	Quartile position
<b>European Smaller Companies</b>		
F&C European Small Cap **	42.65	4
Pioneer SICAV European Potential	53.98	4
<b>Sector average</b>	<b>69.73</b>	

	3 Year % growth	Quartile position
<b>Flexible Investment</b>		
Carmignac Portfolio Emerging Patrimoine	21.78	4
Carmignac Portfolio Patrimoine Carvelian Capital	8.03	4
City Financial Multi Asset Dynamic	16.05	4
HC Kleinwort Hambros Growth	17.31	4
LF Bentley Global Growth	24.26	4
LF Bentley Sterling Balanced	20.55	4
LF Cautela	7.87	4
LF Odey Opus **	8.44	4
LF Ruffer Equity & General	12.06	4
MFS Meridian Diversified Income	21.12	4
Pyrford Global Total Return	12.34	4
R&M Dynamic Asset Allocation	11.84	4
S&W Illex Income	23.40	4
S&W Starhunter Managed	18.81	4
Sarasin Fund of Funds Global Growth	22.06	4
Schroder Dynamic Multi Asset	25.85	3
TM Fulcrum Diversified Growth **	14.05	4
UBS Targeted Return	7.75	4
<b>Sector average</b>	<b>10.30</b>	

	3 Year % growth	Quartile position
<b>Global</b>		
BlackRock NUERS II Global Equity	42.43	3
Carmignac Investissement	23.96	4
<b>1</b> Carmignac Portfolio Investissement	10.85	4
<b>1</b> Dominion Global Trends Luxury Consumer	18.46	4
Fidelity Undiscovered Talent	39.61	4
GAM Star Composite Global Equity	40.07	3
GS Global Equity Partners ESG Portfolio	37.02	4
<b>1</b> Guinness Alternative Energy	5.23	4
Huntress IFSL Ravenscroft Huntress Global Blue Chip	37.84	4
Janus Henderson Multi-Manager Global Select	38.95	4
LF Adam Worldwide	40.01	3
Marlborough Global	42.98	3
<b>1</b> MFS Meridian Global Energy **	-3.70	4
MI Charles Stanley UK & International	35.14	4
Old Mutual Global Best Ideas	34.17	4
Old Mutual Voyager Global Dynamic Equity	32.11	4
Oldfield Overstone UCITS Global Smaller Companies	24.29	4
Royal Bank of Scotland International Growth	34.26	4
S&W Smithfield Income & Growth	38.24	4
Sanlam Global Best Ideas	35.12	4
Scottish Widows Opportunities Portfolio	36.36	4
SKAGEN Global	40.53	3
Stonehage Fleming Global Equities I	36.55	4
Stonehage Fleming Global Equities II	36.27	4
TM UBS (UK) Global Equity	39.17	4
<b>Sector Average</b>	<b>44.56</b>	

	3 Year % growth	Quartile position
<b>Global Bonds</b>		
FP SCDavies Global Fixed Income	-1.27	4
Standard Life Investments Global Index Linked Bond	10.28	4
Standard Life Investments Short Duration Global Index Linked Bond	4.20	4
Templeton Global Bond	1.72	4
TM UBS (UK) Global Fixed Income	2.82	4
<b>Sector Average</b>	<b>18.07</b>	

	3 Year % growth	Quartile position
<b>Global Emerging Markets</b>		
Aberdeen Global Emerging Markets Smaller Companies	27.25	4
EP Emerging Opportunities **	35.08	4
Legg Mason IF QS Emerging Markets Equity	30.04	4
Legg Mason QS Emerging Markets Equity	33.38	4
Newton Emerging Income	28.80	4
Pictet Emerging Markets Sustainable Equities	30.79	4
Polar Capital Emerging Markets Growth	29.36	4
Polardur Emerging Markets Income	28.19	4
Threadneedle Global Emerging Market Equity	36.19	4
<b>Sector Average</b>	<b>46.18</b>	

	3 Year % growth	Quartile position
<b>Global Emerging Market Bond</b>		
Candriam Bonds Emerging Debt Local Currencies	19.84	3
Pictet Emerging Local Currency Debt	20.53	3
<b>Sector Average</b>	<b>23.90</b>	
<b>Global Equity Income</b>		
Davy Defensive Equity Income **	24.88	4
Mirabaud Global Equity High Income	34.89	3
Neptune Global Income	22.56	4
Pictet High Dividend Selection	36.91	3
<b>Sector Average</b>	<b>38.14</b>	

	3 Year % growth	Quartile position
<b>Japan</b>		
Aviva Inv Japan Equity MoM 1	61.07	3
L&G Japan Index Trust **	62.30	3
Old Mutual Japanese Equity	59.27	4
Santander Japan Equities	55.56	4
Vanguard Japan Stock Index **	59.44	4
<b>Sector Average</b>	<b>68.28</b>	

	3 Year % growth	Quartile position
<b>Japanese Smaller Companies</b>		
Aberdeen Global Japanese Smaller Companies	71.31	4
<b>Sector Average</b>	<b>96.14</b>	
<b>Mixed Investment 20%-60% Shares</b>		
7IM Balanced	17.41	4
City Financial Multi Asset Balanced	7.64	4
FP Russell Investments Multi Asset Income	13.47	4
Janus Henderson Cautious Managed	15.05	4
L&G Distribution Trust	15.91	4
Margetts Providence Strategy	17.94	3
M&G Frontier Cautious	14.73	4
MGTS Future Money Real Growth	18.96	3
MGTS Future Money Real Value	13.45	4
Old Mutual Voyager Diversified	10.40	4
Royal Bank of Scotland Cautious Growth	16.84	4
Schroder Global Multi-Asset Income	2.79	4
Schroder MM Diversity Income	11.35	4
UBS Multi Asset Income **	8.02	4
<b>Sector Average</b>	<b>19.66</b>	

	3 Year % growth	Quartile position
<b>Mixed Investment 40%-65% Shares</b>		
7IM AAP Moderately Adventurous	25.31	3
7IM Moderately Adventurous	25.22	3
Carvelian Andromeda Income	16.88	4
Carvelian Fenix Balanced	9.45	4
City Financial Multi Asset Growth	13.16	4
Doherty Ph&In Consultancy Ltd TB Doherty Active Managed	23.67	4
Family Balanced International	24.88	4
Fidelity Multi Asset Income & Growth	21.74	4
HC Sequel Balanced Target Return Strategy	19.83	4
HSBC Ash	23.30	4
LF Canlife Portfolio V	24.87	4
Mclnroy & Wood Income	18.52	4
Sarasin Fund of Funds Global Diversified Growth	22.42	4
SVS Church House Balanced Equity Income	21.73	4
Thesis Libero Strategic **	21.88	4
TM UBS (UK) UK Income Focus	23.95	4
<b>Sector Average</b>	<b>27.45</b>	

	3 Year % growth	Quartile position
<b>North America</b>		
Aberdeen Global North American Equity	41.73	4
GAM Star Capital Appreciation US Equity	34.54	4
GS US Equity Portfolio	36.36	4
Legg Mason ClearBridge US Aggressive Growth	30.95	4
Legg Mason IF Martin Currie North American	45.20	4
Royal London US Growth Trust	49.03	3
<b>Sector Average</b>	<b>48.95</b>	

	3 Year % growth	Quartile position
<b>North American Smaller Companies</b>		
Jupiter US Small and MidCap Companies	32.07	4
<b>Sector Average</b>	<b>52.04</b>	

	3 Year % growth	Quartile position
<b>Property</b>		
<b>1</b> HC FCM Salamanca Global Property 1	-28.07	4
MGTS St Johns High Income Property	16.02	4
<b>Sector Average</b>	<b>22.01</b>	

	3 Year % growth	Quartile position
<b>Sterling Corporate Bond</b>		
Aviva Inv Corporate Bond **	12.52	4
F&C Responsible Sterling Bond	13.26	3
Fidelity Moneybuilder Income	13.47	3
Halfax Corporate Bond	13.41	3
Premier Corporate Bond Monthly Income	7.77	4
Royal Bank of Scotland Extra Income	10.12	4
Smith & Williamson Fixed Interest	10.51	4
Standard Life Investments AAA Income	8.16	4
<b>Sector Average</b>	<b>14.28</b>	

	3 Year % growth	Quartile position
<b>Sterling High Yield</b>		
NB Short Duration High Yield Bond	7.13	4
Scottish Widows High Income Bond	6.96	4
<b>Sector Average</b>	<b>15.98</b>	

	3 Year % growth	Quartile position
<b>Sterling Strategic Bond</b>		
Aberdeen World Opportunistic Bond	9.19	4
Allianz Strategic Bond	6.16	4
BNY Mellon Global Opportunistic Bond	0.22	4
HC Kleinwort Hambros Fixed Income	6.33	4
HL Multi Manager Strategic Bond	11.56	3
Invesco Perpetual Tactical Bond	7.24	4
M&G UK Inflation Linked Corporate Bond	6.35	4
Old Mutual Voyager Strategic Bond	8.83	4
Virgin Income	4.49	4
<b>Sector Average</b>	<b>12.80</b>	

	3 Year % growth	Quartile position
<b>Technology &amp; Telecoms</b>		
Aberdeen Global Technology Equity	54.33	3
Fidelity Global Telecommunications	24.86	4
<b>1</b> GAM Star Technology	58.37	3
<b>1</b> MFM Techninvest Technology	26.23	4
<b>Sector Average</b>	<b>67.00</b>	

	3 Year % growth	Quartile position
<b>UK All Companies</b>		
Candriam Equities L United Kingdom	21.24	4
HSBC Common Fund for Growth	19.21	4
HSBC UK Focus	19.49	4
HSBC UK Freestyle	19.16	4
HSBC UK Growth & Income	20.49	4
Jupiter Responsible Income	19.60	4
Jupiter UK Alpha	19.84	4
Marks & Spencer UK Select Portfolio	20.74	4
<b>Sector Average</b>	<b>32.46</b>	

	3 Year % growth	Quartile position
<b>UK Equity &amp; Bond Income</b>		
HSBC Monthly Income	20.09	4
LF IM UK Equity & Bond Income	20.05	4
<b>Sector Average</b>	<b>24.77</b>	

	3 Year % growth	Quartile position
<b>UK Equity Income</b>		
HC Kleinwort Hambros Equity Income	20.68	4
HSBC Income	20.33	4
Invesco Perpetual Income & Growth	22.42	4
Liontrust Macro Equity Income	24.20	4
Royal Bank of Scotland Equity Income	27.68	3
<b>Sector Average</b>	<b>28.68</b>	