

UK

REFINITIV LIPPER FUND AWARDS 2021

In association with

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REFINITIV LIPPER
FUND AWARDS

**LAST
WORD**

RECOGNISING EXCELLENCE, OBJECTIVELY

An explanation of the methodology underpinning the Refinitiv Lipper Fund Awards set out over the following pages, which are based entirely on objective, quantitative criteria, recognising exceptional, risk-adjusted outperformance

Dewi John

Fund awards can sometimes appear to carry a whiff of those rosettes plastered onto wine bottles in your local supermarket – or, as the Dodo said in *Alice in Wonderland*: “Everybody has won, and all must have prizes.” Which, to say the least, rather defeats the point – certainly from the investor’s perspective.

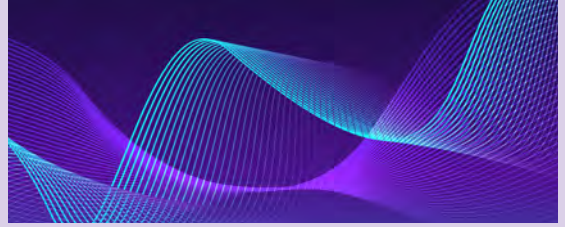
Methodology is the foundation stone on which all awards stand tall or wobble – and different approaches provide very different results. For instance, regarding the Refinitiv Lipper Fund Awards, someone asked recently: “Who makes the nominations?” The answer is no-one: they are based solely on rigorous quantitative analysis of funds’ performance.

Objectivity and rigour are vital in an industry that is saturated with accolades. How else can investors verify a fund has consistently outperformed its rivals? How can they ensure an award-winning fund is truly worth a prize, and that it has been assessed solely on robust quantitative performance data?

Lipper Fund Awards 2021 – 20 largest award classifications (three-year timeframe) by assets under management

Award classification	Fund name	Fund adviser	Fund count
Absolute Return £ High	LF Brook Absolute Return Sterling RtI Acc	Odey Asset Management	13
Absolute Return £ Low	LF Ruffer Total Return Fund O Acc	Ruffer	12
Bond £ Corporates	Schroder Sterling Corporate Bond C Acc £	Schroder Investment Management	71
Bond £ Government	MGI UK Long Gilt II £	Mercer Global Investments Europe	19
Bond Global £	Allianz Strategic Bond A	Allianz Global Investors (London)	47
Bond Global High Yield £	MI TwentyFour Focus Bond A Gross Inc	TwentyFour Asset Management	20
Equity Asia Pacific ex Japan	Baillie Gifford Pacific A Acc	Baillie Gifford & Co	153
Equity Emerging Mkts Global	MS INVF Emerging Leaders Equity A \$	Morgan Stanley Investment Mgt	188
Equity Europe ex UK	Baillie Gifford European A Acc	Baillie Gifford & Co	94
Equity Global	Baillie Gifford Long Term Global Growth B Acc	Baillie Gifford & Co	501
Equity Global Income	Baillie Gifford Global Income Growth A Acc	Baillie Gifford & Co	63
Equity Japan	FSSA Japan Equity VI Acc €	First Sentier Investors Hong Kong	104
Equity UK	Premier Miton UK Growth A Inc	Premier Fund Managers	182
Equity UK Income	Santander Equity Income Ret Inc	Santander Asset Management UK	79
Equity UK Sm & Mid Cap	MI Chelverton UK Equity Growth B Acc	Chelverton Asset Management	66
Equity US	Baillie Gifford American A Acc	Baillie Gifford & Co	208
Mixed Asset £ Aggressive	Baillie Gifford Managed A Acc	Baillie Gifford & Co	192
Mixed Asset £ Balanced	Royal London Sustainable Diversified Trust A Inc	Royal London Asset Management	265
Mixed Asset £ Conservative	Royal London Sustainable Mngd Gro Trust B Acc	Royal London Asset Management	95
Mixed Asset £ Flexible	Credo Growth A Retail Acc GBP	Credo Capital	72

Note: ‘Fund count’ refers to the number of funds under consideration for a particular award classification.



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The Refinitiv Lipper Fund Awards are unique in that they are the only ones based entirely on objective, quantitative criteria, recognising exceptional outperformance on a risk-adjusted basis relative to a fund’s peers. There is no bias and no nomination process. Each award is entirely data-derived.

CLEAR CRITERIA

The universe for these awards is comprised of mutual funds from across the asset classes: equity, bond, mixed-asset, commodity and alternatives. To be eligible, funds must demonstrate a minimum of three years’ performance history and be registered for sale in the UK. To ensure we compare like with like, we classify funds by type, asset class, country, currency, term and more. Each fund award is based on one of our granular and clearly defined Lipper Global Classifications, such as Bond GBP Corporates or Equity Small & Mid Cap US.

In addition, group awards (see above right) are won by those fund providers who have scored the highest across their fund ranges in each asset class, and overall. We recognise excellence both in large providers and small, so that the skill demonstrated in the latter is not swamped by the larger providers. Together, this allows investors to make like-for-like comparisons between funds that share meaningful characteristics.

LIPPER LEADERS

The awards are based on the same methodology as the Lipper Leaders ratings. These are derived from highly sophisticated formulae that analyse funds against clearly defined criteria. The ratings are calculated for three-year, five-year and 10-year periods, and an overall equally weighted measure of these three periods.

I once asked a financial adviser what he was looking for in a fund and, drawing an upwardly sloping diagonal in the air with his finger, he replied: “Performance that goes from there to there.” Presumably that is something all investors are looking for – though, importantly, with the minimum amount of stress along the journey from one end of that line to the other.

Refinitiv Lipper Fund Awards 2021 – Group Awards

Award classification	Fund adviser
Overall Large Group	Goldman Sachs
Equities - Large Group	Baillie Gifford
Equities - Small Group	Seilern Investment Mgt
Bonds - Large Group	Goldman Sachs
Bonds - Small Group	Mirova
Mixed Assets - Large Group	Legg Mason
Mixed Assets - Small Group	Chelsea

Note: these awards use a three-year timeframe.

Crucially, therefore, Refinitiv Lipper does not just measure the change over the period of the award – three years, for example. It is not just performance from A to B that is assessed, but all the sub-periods in between, addressing an investor’s desire for minimal volatility. In addition, an even mixture of gains and loss events is usually preferred to clusters of losses and clusters of gains, assuming the total of gains and loss events is the same in both cases (it goes without saying, you want as few losses and as many gains as possible).

Given the proliferation of share classes for most funds, we use the Lipper Primary share class for comparison. This is the active retail accumulation share class that is marketed directly to investors and with the longest track record. This is used not necessarily because the awards have a solely retail orientation, but because such classes typically have the highest fees so this reference point again allows consistent like-for-like comparison.

UNRIVALLED EXPERIENCE

Lastly, experience counts. Lipper has been providing robust, independent fund insights and benchmarks for almost half a century. It is part of Refinitiv, a London Stock Exchange Group business, which is itself one of the world’s largest providers of financial markets data and infrastructure. Refinitiv delivers critical news, information and analytics, as well as trading, open data and technology platforms that connect traders, investors, financiers and professionals to opportunities globally. **LW**

Dewi John is head of research, UK & Ireland at Refinitiv Lipper

Disclaimer: The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

**WINNER: MIXED
ASSETS - SMALL
GROUP AWARD**

**VT CHELSEA
MANAGED FUNDS**



**REFINITIV LIPPER
FUND AWARDS**

FIGHTING FOR EVERY BASIS POINT

Q: Please describe your investment process and philosophy?

A: Our philosophy is that we fight for every single basis point, both in terms of returns and when it comes to negotiating better fund and trading costs for our underlying investments. We will leave no stone unturned in terms of investment opportunities for our clients.

Our investment process is quite simple. First, we look at the macro environment, then we select funds and construct the portfolio. We then monitor and modify as required.

When we consider the macro environment, we're not thinking about quarterly GDP or pay-roll numbers. At our Monday morning meetings we ask ourselves, what has changed in the world? What do we like? What don't we like? We're also looking at valuation and sentiment, trying to pin-point extremes and take advantage.

When it comes to fund selection, we look for a clear philosophy, a consistent and repeatable process, clear decision making and a willingness to embrace self-improvement. We generally prefer active over passive. We avoid funds that are overly complex, have little capacity, where risk controls are not to our liking and those with low active share. We also keep an eye on fund flows as these can make a material difference to the way a fund manager can invest, particularly if there are large outflows.

Because we've been researching funds for more than two decades, we have relationships with virtually every fund group, from the largest global asset managers to the smallest boutiques. We have hundreds of fund manager meetings each year, with people who run money in very different ways. This gives us great insight into their investments and gives us an edge.

One area of development since launch has been our increased use of investment trusts. Managing money has really opened up a new world for us in terms of investment opportunities. Not only have we been able to invest in niche areas but it has increased our diversification and, because our funds are relatively small still, we've been able to invest in vehicles that other, larger peers have to avoid.

These investment trusts have been some of the biggest drivers of returns for the funds, along with our open-ended fund selections.

In the portfolio construction, we're looking to be high conviction. Position sizes are weighted for conviction

and risk, we will invest anywhere in the world, and every holding should bring something different to the mix. We're also very mindful of correlations.

We're also patient. Our worst investment for two years was gold and silver, but over the past 18 months it's been one of the best. So having patience and standing by what we believe has paid off.

We also have strong alignment with our clients as we all have substantial investments in the funds.

Q: 2020 saw some of the greatest volatility ever seen in financial markets. How did your risk management steer you through?

A: We spent a lot of time monitoring and managing the risk around our more volatile positions, especially the investment trusts. We also spent more time than ever with the individual managers of the funds we own. We're in the privileged position of having access to all the managers we invest in. And in the early days of the market falls, this meant we were able to talk to them once or twice a month. That access and insight really helped with our decision-making.

Having raised cash going into the sell-off by cutting some of our positions, as markets fell we redeployed into funds at lower valuations. We probably began too early with hindsight, but overall the impact of these moves was positive.

And generally, we moved asset allocation more than we would do usually as more opportunities arose. For example, prior to 2020, we had never owned a pure investment grade bond fund, but in March and April we bought a substantial 5% position. We were pretty nimble throughout the crisis when it came to decision making, showcasing the benefit of a small, flat team. In more recent months, we've been back to gently adding where we've seen value and opportunity. ■

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Darius's views are his own and do not constitute financial advice.



CHELSEA
Investment Intelligence™

Darius McDermott, investment adviser,
VT Managed Chelsea Funds



We will leave no stone unturned in terms of investment opportunities for our clients

