

Number of funds delivering top quartile returns falls short of historic average: FundWatch survey

LONDON, XX January 2018 – Despite an uptick in the final quarter of 2017, the number of funds delivering top quartile returns consistently over a three year period remains below the historic average.

According to the FundWatch survey conducted by the Multi-Manager team at BMO Global Asset Management, 1.24% of funds delivered consistent top quartile performance over three years as at the end of Q4 2017. This compares to 0.8% at the end of Q3 2017 and the historic average of between 2% and 5%. The IA £ Strategic Bond sector was the most consistent for top quartile returns at 4.6%, followed by the IA UK Smaller Companies (4.4%) and the IA Japan sector (4.2%).

The number of funds generating above median returns in each of the last three 12-months fell from 9.7% to 9% at the end of Q4 2017. All 12 main IA sectors had funds met this criteria, with the IA UK Smaller Companies the most consistent sector 17.4% funds achieving this feat

Markets continued to gain ground Q4 2017, with all 37 IA sectors achieving positive returns. The IA Japanese Smaller Companies sector was the best performing sector gaining 9.2%, with the IA Asia Pacific including Japan sector following closely behind, rising 8.9%. The IA Short Term Money Market and IA Money Market Sectors were the laggards, returning 0.02% and 0.06% respectively, demonstrating the challenge for investors holding cash during the current market environment.

Kelly Prior, investment manager in BMO Global Asset Management’s Multi-Manager team, commented: “Our survey shows fund managers are still finding it challenging to deliver consistent performance over the long-term. While we have seen a slight increase in the number of funds delivering top quartile performance over three years, it’s still falling short of the industry average.

“While the majority of funds failing to generate consistent outperformance over three years, we saw markets gain ground in the final quarter of 2017. All IA sectors achieved positive returns with Japanese Smaller Companies leading the drive. The challenge for investors holding cash was amplified with the IA Short Term Money Market sector being the performance laggard for the quarter, while the shift in expectations of future interest rates benefited sectors and funds with longer duration and greater sensitivity to change in the long end of the UK yield curve.”

The survey also revealed:

- **Currencies:** Well signposted changes in base rates from the central banks of the US and UK had little impact on currency moves in the quarter. The dollar weakened against sterling despite tax reforms being passed creating the potential of a significant repatriation of dollars. Against other currencies sterling faltered as political noise around Brexit continued
- **Smaller companies top performance charts in UK equities:** The IA UK Smaller Companies sector was the strongest performer of the UK sectors rising 5.4% as risk assets continued to be favoured by investors. The IA UK All Companies sector was the next best performer gaining 3.9%
- **Best performing fund:** The Baring Korea fund outperformed the gains of its base markets, achieving the best return of all IA funds in the quarter. Run by Hyung Jin Lee, the fund tends to have significant positions in large technology stocks, which have performed well of late.

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Notes to editors

The FundWatch survey reviews 12 of the major market sectors, filtering out only those funds that are consistently above average in each of the last three 12-month periods, and those consistently top quartile. In the 12 main sectors researched, there are currently 1,125 funds with a 3-year track record.

Media Contacts:

Campbell Hood
campbell.hood@bmogam.com
Tel: +44 (0)20 7011 4243

FTI Consulting
bmo@fticonsulting.com
Tel: +44 (0) 20 3727 1888

Notes to Editors

About BMO Global Asset Management

BMO Global Asset Management is a global investment manager with offices in more than 25 cities in 14 countries, delivering service excellence to clients across five continents.

Our four major investment centres in Toronto, Chicago, London and Hong Kong are complemented by a network of world-class boutique managers strategically located across the globe: BMO Real Estate Partners, LGM Investments, Pyrford International Ltd. and Taplin, Canida & Habacht, LLC. BMO Global Asset Management is a signatory of the United Nations-supported Principles for Responsible Investment initiative (UNPRI).

BMO Global Asset Management is a part of BMO Financial Group, a highly diversified financial services provider based in North America with total assets of CDN \$709 billion, as of July 31, 2017, and over 45,000 employees. BMO Wealth Management has worldwide assets under management of CDN \$413 billion, as of July 31, 2017.

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