

Consistency of fund performance falls in Q2

- *IA £ Corporate Bond sector most consistent for top quartile returns over three years*

LONDON, 7 August 2017 – The number of funds delivering consistent top quartile returns over three years fell to 1.2% in Q2, down from 1.6% in Q1, according to the BMO Global Asset Management (BMO GAM) Multi-Manager Survey. Only 14 of the 1,132 funds in the Investment Association (IA) sectors have achieved the feat over three years, to the end of Q2 2017.

Of the 12 major market IA sectors, half have funds that delivered consistent top quartile returns over the period. The IA £ Corporate Bond sector was the most consistent for top quartile returns over three years, with 7.5% of funds in this sector making the cut. It was followed by the IA UK Smaller Companies and IA Global Equity sectors, which had 2.2% and 1.6% of funds making the grade respectively.

Lowering the hurdle, 130 funds delivered above median returns for each one year period over three years, as at the end of Q2 2017. This less demanding ratio, looking at consistency of above median performance, rose to 11.5% in Q2 2017, from 10.9% in Q1 2017. The IA UK Smaller Companies sector topped the list, with 19.6% of funds qualifying on this measure. The IA £ Strategic Bond and IA £ Corporate Bond sectors were the next best with 17.7% and 17.5% respectively.

Kelly Prior, investment manager in the Multi-Manager team at BMO Global Asset Management, commented: “Our research shows that consistency remains an elusive feat with the figures continuing to be low. It is worth noting that every IA sector is made up of a myriad of approaches, with very few managers claiming that they can outperform in all market conditions. As markets move through natural economic cycles different types of assets, stocks, sectors and styles will perform differently.

“With the past 12 months being post the Brexit vote, consistency may well have been impacted by this factor too. Therefore, one could argue it has never been more important for investors to understand how managers are positioned in these unusual times.”

Taking a look at currencies

The second quarter saw a continuation of the volatility in currencies. The euro strengthened following the election of Emmanuel Macron in France alongside more positive data from the euro area. Conversely, despite a well flagged further increase in interest rates in the US, the dollar continued to weaken. Interestingly the yen, which has become a safe haven currency, reversed the gains of last quarter.

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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 centers 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).

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