

Press release

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IA UK Smaller Companies sector delivers the highest number of top quartile funds over three years: F&C Multi-Manager Fund Watch survey

LONDON, 24 January 2017 — The IA UK Smaller Companies sector was the most consistent for top quartile returns over a rolling three year period. According to the quarterly F&C Multi-Manager Fund Watch survey, 6.5 per cent of funds delivered top quartile performance in each of the last three 12 month periods as at the end of Q4 2016.

The IA Japan and IA £ Corporate Bond sectors achieved the second and third highest number of funds with consistent top quartile funds over three years, at 4.3 per cent and 4 per cent respectively.

Of the 12 main IA sectors, there are 1,140 funds with a track record of three years or more. According to the survey, the number of funds delivering top quartile returns over three years (to the end of Q4 2016) fell to 1.1 per cent. This compares to 2.5% as at the end of Q3 2016, and is outside of the historic range of 2 – 5 per cent. This number was impacted by half of the 12 main IA sectors failing to deliver any consistently top quartile funds over the period; namely the IA Asia Pacific ex Japan, IA Europe ex UK, IA Global Bond, IA North America, IA UK All Companies and IA UK Equity Income sectors.

Lowering the hurdle to look at above median returns in each of the last three 12 month periods saw 136 of the 1,140 funds delivering above median returns consistently. All 12 main IA sectors had funds meeting the less demanding above median consistency hurdle. The most consistent sector on this measure as at Q4 2016 was the IA Global Bond sector, with 22% of funds performing above median for three consecutive years.

Risk assets benefit from Trump victory

The result of the US election resulted in a bounce for risk assets in Q4 2016, with the IA North American Smaller Companies the best performing sector gaining 14 per cent. In the UK, the IA UK Smaller Companies sector was the strongest performer rising 3.9 percent, while the IA UK Index Linked Gilt sector was the poorest performing of the 37 IA sectors, falling 5.4 per cent.

Kelly Prior, investment manager for F&C Multi-Manager Solutions, commented:

“The result of the US election gave a fresh impetus to risk assets in the final quarter of 2016. UK and US smaller companies made strong gains, and this partly in turn led to the IA UK Smaller Companies sector delivering the highest number of top quartile funds over a rolling three year period.

“Investors are having to navigate a challenging investment landscape. The final quarter of 2016 saw unusual moves following the result of the US presidential election. Like the taper tantrum in 2013, this resulted in a change in the style of fund that would benefit the market

environment, which undoubtedly contributed heavily to the fall in the number of funds that delivered top quartile returns over three years.”

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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. It is the second largest provider of ETFs in Canada and has a strong and growing presence in Europe, having purchased F&C Asset Management in July 2014.

BMO Global Asset management's 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, Money, Inc., 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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