

IA UK Smaller Companies sector most consistent for fund performance over three years: Q1 2018 BMO Global Asset Management Multi-Manager FundWatch survey

LONDON, 12 April 2018 – The IA UK Smaller Companies sector was the most consistent sector for delivering top and median quartile returns over three years, boosted by the sectors' strongest performance of the UK equities sector.

According to the quarterly BMO Global Asset Management Multi-Manager FundWatch survey, of the 12 main IA sectors the IA UK Smaller Companies sector registered the highest number of funds delivering top quartile returns in each of the last 12-month periods over three years at 6.4 per cent, as at the end of Q1 2018. This was considerably above the industry average over the same period, with only 19 (1.7 per cent) of the 1,118 funds analysed achieving this feat. Over the same period, the sector also topped the charts for the sector returning the highest proportion of funds performing above median consistency at 17 per cent. Of the total funds analysed, only 125 (11.2 per cent) of the 1,118 funds achieved this feat compared with nine per cent as at the end of Q4 2017.

Coinciding with this fund performance consistency, the IA UK Smaller Companies sector was the strongest performer of all UK equity sectors in the first quarter of 2018, although still lost ground during the quarter falling 3.1 per cent.

Volatility drives losses across majority of IA sectors

The volatility in the first quarter of 2018 saw most IA sectors lose ground, with 32 of the 37 sectors down on the previous quarter. The sectors that dropped the most were those which are often considered by investors to be the safest in traditional equity terms, with the Global and Income sectors the biggest losers, followed by the UK All Companies and North American sectors. The IA Targeted Absolute Return sector failed to live up to its name falling 0.8% in the quarter, while the IA Japanese Smaller Companies sector was the best performing sector gaining 1.5 per cent.

Kelly Prior, investment manager in BMO Global Asset Management's Multi-Manager team, commented: "The first quarter of 2018 bought with it some much anticipated volatility which saw most IA sectors down on the previous quarter. The UK Smaller Companies sector was the stand out performer of the quarter, securing the highest proportion of funds delivering consistent returns. It also weathered the dip in markets in February driven by a bout of volatility better than most of the other IA sectors. Whilst we have seen an uptick in funds delivering top quartile returns over three years, our survey shows still only a small proportion of funds are delivering over the long-term, falling short of the historic average."

The survey also revealed:

- **Best fund:** The Legg Mason IF Japan Equity fund outperformed the gains of its base market, achieving the best return of all IA funds in the quarter. Run by Shiozumi Investments, the fund tends to be run in a focused fashion and have significant positions in smaller growth stocks which have performed well of late.
- **Bonds:** The IA UK Gilt sector led in the UK bond space rising 0.06 per cent, with the UK Index Linked sector next falling 0.7 per cent. The IA £ Corporate Bond sector was the worst of the UK bond sectors falling 1.3 per cent while the IA £ Strategic Bond fell 1.1 per cent. The IA Global Bond sector fell more than all UK Bonds sectors losing 1.6 per cent in comparison.
- **Mixed Asset IA sectors:** The exposure to equity dictated the ranking of the sectors with the IA Mixed Investment 0-35% Shares sector losing the least of the Mixed sectors, falling 2.2 per cent. The IA Mixed Investment 40-85% Shares sector fared the worst losing 4.2 per cent with the IA Mixed Investment 20-60% Shares sector sat in the middle falling 3.2 per cent.

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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 \$728 billion as of 31 January 2018, and over 45,000 employees. BMO Wealth Management has worldwide assets under management of CDN \$436 billion, as of 31 January 2018.

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