

Over nine in 10 funds fail to consistently deliver above average returns over three years

LONDON, 31 October 2017 – An overwhelming proportion of funds are falling short of delivering above average returns consistently over a three year period, according to research from BMO Global Asset Management’s Multi-Manager team.

According to the Q3 2017 FundWatch survey, only 9.6 per cent (109) of the 1,129 funds of the 12 major market sectors delivered above median returns in each of the last three 12 month periods. This compares to 11.5 per cent of funds as at the end of Q2 2017. The most consistent sector on this measure was the IA UK Smaller Companies sector with 21.7 per cent of funds achieving this feat, while the IA UK Equity Income sector was the least consistent at 1.3 per cent.

The survey shows a smaller pool of funds were able to generate top quartile returns compared with Q2 2017, which is considerably lower than the historic range of between two and five per cent. Of the 1,129 funds only nine (0.8 per cent) were able to consistently deliver top quartile returns over three years as at the end of Q3 2017. Seven of the 12 sectors failed to secure any top quartile funds, while the most accomplished sector, the IA Global Bond, secured 2.5% of its funds.

Kelly Prior, investment manager in BMO Global Asset Management’s Multi-Manager team, commented: “Building on the previous quarter, the number of funds generating consistent returns continues to deteriorate. Over nine in 10 funds failed to consistently generate above average returns over a three year period, with vicious sector rotations and gyrating yield curves creating a lack of consistency from funds. Our survey shows that the last three years have rewarded the brave, although the investment backdrop is not an easy one to navigate as we live in curious times with volatility eerily absent.”

The survey also revealed:

- **The best performing sector...** The IA China / Greater China sector was the best performing in Q3 2017, gaining 8.3 per cent.
- **On the flipside...** The IA UK Index Linked Gilt sector was again the laggard falling 0.6 per cent with the IA UK Gilt sector also losing ground retuning 0.6 per cent.
- **Smaller companies top performance charts in UK equities:** The IA Smaller Companies sector was the strongest performer of the UK equity sectors rising

5.2 per cent, as risk assets continued to be favoured by investors. The IA UK Equity Income sector was the back of the pack rising 1.2 per cent.

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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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