

THE REDZONE



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The RedZone makes its highly anticipated annual return. It puts a red spotlight on funds that have fallen short of expectations over the past few years¹. We hope you find it informative and, if anything, a chance to scan over your portfolio and see what funds might have been holding back your returns. It also gives you a chance to scrutinise the different asset management houses and their ability to provide the best performance for clients across their product range.

In this edition, the serial underperformer list consists of 100 funds, across 41 different companies and 20 different sectors. These companies' collective underperforming assets total over £36 billion, larger than the size of Cyprus's GDP². Abrdn and Baillie Gifford both hold the unwanted title of the most funds in the RedZone with 11 each, equating to just under 30% of the underperforming assets by value. Whilst Baillie Gifford are new to this level of disappointment, loyal readers will know that these aren't unfamiliar waters for Abrdn. Baillie

Gifford's investment style is largely responsible for catapulting it to the top of the list, but more on that later. Premier Miton are next on the list with seven, followed by Columbia Threadneedle with six and Jupiter with five. Over 75% of the list is made up of companies that have only one or two funds in the RedZone.

The most prominent sector is the UK All Companies, with 24 different funds. The vast majority of these Red-zoned funds in this sector have a small and mid-cap bias which, as you know, have suffered inordinately over the past couple of years at the hands of rising interest costs and inflation. The UK market has also experienced huge outflows, which has depressed the share prices of many of the lesser-known smaller companies, as demand has dried. The Global sector has the second most underperformers with 14 funds. This is largely dominated by a mix of global small-cap growth funds, as well as global ESG funds that saw particularly strong drawdowns in 2023.

DROPZONE

The Dropzone is the top 10 funds with the worst underperformance against their sector average over the course of three years. The worst performer in the Dropzone is Baillie Gifford Global Discovery, which underperformed the Global sector by a shocking 72.7% over the past three 3 years. Unfortunately for Baillie Gifford, another 5 of their funds also feature on this list. Although this is disappointing, it is not wholly unsurprising. Baillie Gifford's management style is unshakeably small-cap growth, which has been heavily out of favour over the past few years. Perhaps more pain is to come, but if interest rates get aggressively cut and inflation falls quickly, it could be the worst time to pivot away. This could be said of other Red-zoned funds too, which also deserve another look - it's always important to look at performance in context over the long term.

¹ RedZone entry requirement – three years of consecutive 3rd of 4th quartile performance. At least 10% underperformance versus the sector average. No new manager in the past 18 months.

² <https://tradingeconomics.com/cyprus/gdp>, 2022 GDP in £

	3 Year % Growth	Quartile position
UK SMALLER COMPANIES		
abrdrn UK Smaller Companies	-21.08%	4
Jupiter UK Smaller Companies Equity	-22.06%	4
Ninety One UK Smaller Companies	-24.67%	4
Jupiter UK Smaller Companies	-27.48%	4
FP Octopus UK Micro Cap Growth	-30.20%	4
Premier Miton UK Smaller Companies	-31.98%	4
Sector average	-9.15%	
UK GILTS		
Vanguard UK Long Duration Gilt Index	-45.46%	4
Sector average	-25.82%	
MIXED INVESTMENTS 40-85 SHARES		
Baillie Gifford Managed	-19.55%	4
Sector average	5.72%	
UK EQUITY INCOME		
abrdrn UK Income Unconstrained Equity	-1.12%	4
Premier Miton UK Multi Cap Income	-9.31%	4
Sector average	16.95%	
UK ALL COMPANIES		
BNY Mellon Sustainable UK Opportunities	-1.67%	4
CT UK Sustainable Equity	-1.85%	4
abrdrn UK Ethical Equity	-2.62%	4
Premier Miton UK Growth	-3.64%	4
Royal London UK Mid-Cap Growth	-3.81%	4
M&G Recovery	-4.46%	4
AXA Framlington UK Select Opportunities	-5.10%	4
CFP SDL Free Spirit	-5.99%	4
Ninety One UK Sustainable Equity	-6.00%	4
EdenTree Responsible and Sustainable UK Equity	-6.27%	4
M&G UK Sustain Paris Aligned	-6.83%	4
AXA Framlington UK Sustainable Equity	-7.52%	4
Unicorn Outstanding British Companies	-7.67%	4
Premier Miton Responsible UK Equity	-8.40%	4
AXA Framlington UK Mid Cap	-8.54%	4
Liontrust Sustainable Future UK Growth	-15.10%	4
Liontrust UK Ethical	-17.00%	4
CT UK Mid 250	-18.31%	4
IFSL Marlborough Special Situations	-21.77%	4
L&G Future World Sustainable UK Equity Focus	-24.84%	4
⊕ Baillie Gifford UK Equity Alpha	-26.25%	4
⊕ SVM UK Growth	-27.01%	4
⊕ abrdrn UK Mid Cap Equity	-27.44%	4
⊕ Jupiter UK Mid Cap	-35.72%	4
Sector average	9.14%	
STERLING CORPORATE BOND		
abrdrn Sterling Bond	-25.40%	4
Allianz Strategic Bond	-27.41%	4
Schroder Long Dated Corporate Bond	-31.92%	4
Janus Henderson Inst Long Dated Credit	-35.01%	4
Sector average	-10.63%	

	3 Year % Growth	Quartile position
SPECIALIST		
Sarasin Food & Agriculture Opportunities	-15.83%	4
Barings Korea Trust	-29.81%	4
Sector average	-1.06%	
NORTH AMERICAN SMALLER COMPS		
Premier Miton US Smaller Companies	-34.32%	4
Sector average	0.69%	
JAPAN		
AXA Framlington Japan	-12.16%	3
abrdrn Japanese Equity	-12.71%	4
Baillie Gifford Japanese	-12.75%	4
Fidelity Japan Smaller Companies	-15.54%	4
Invesco Japanese Smaller Companies (UK)	-21.34%	4
FSSA Japan Focus	-27.02%	4
T. Rowe Price Japanese Equity	-27.62%	4
⊕ Baillie Gifford Japanese Smaller Companies	-42.25%	4
Sector average	3.99%	
INFRASTRUCTURE		
FP Foresight UK Infrastructure Income	-8.77%	4
FP Foresight Global Real Infrastructure	-21.39%	4
Sector average	2.60%	
HEALTHCARE		
⊕ Baillie Gifford Health Innovation	-44.18%	4
Sector average	-4.58%	
GLOBAL		
Stewart Investors Worldwide Sustainability	0.61%	4
Invesco Global Smaller Companies (UK)	-0.12%	4
WS Montanaro Global Select	-0.20%	4
IFSL Equilibrium Global Equity Portfolio	-3.65%	4
VT Downing Global Investors	-7.59%	4
FP WHEB Sustainability	-8.06%	4
Baillie Gifford International	-9.73%	4
Jupiter Fund of Investment Trusts	-13.83%	4
WS Montanaro Better World	-14.97%	4
abrdrn Global Smaller Companies	-17.58%	4
IFSL Marlborough Global Innovation	-21.59%	4
⊕ Baillie Gifford Sustainable Growth	-29.66%	4
⊕ SVS Aubrey Global Conviction	-31.80%	4
⊕ Baillie Gifford Global Discovery	-60.72%	4
Sector Average	11.98%	
GLOBAL EQUITY INCOME		
Premier Miton Global Sustainable Optimum Income	-0.57%	4
Sector average	22.73%	
GLOBAL EMERGING MARKETS		
abrdrn Emerging Markets Equity	-28.21%	4
Fidelity Emerging Markets	-28.32%	4
FTF Martin Currie Emerging Markets	-28.87%	4
Baillie Gifford Emerging Markets Leading Companies	-28.89%	4
MI Somerset Global Emerging Markets	-31.89%	4
CT Global Emerging Market Equity	-35.17%	4
Sector average	-16.07%	

	3 Year % Growth	Quartile position
GLOBAL BONDS		
Scottish Widows International Bd	-17.57%	4
CT Global Bond	-20.53%	4
CT European Bond	-22.42%	4
Sector average	11.98%	
FLEXIBLE INVESTMENT		
FP Mattioli Woods Adventurous	-4.33%	4
Sector average	6.02%	
EUROPE EX UK		
VT Downing European Unconstrained Income	2.62%	4
Jupiter European Special Situations	0.48%	4
Omnis Investments Ltd Omnis European Equity Opportunities	-2.24%	4
abrdrn Europe ex UK Ethical Equity	-2.30%	4
FTF Martin Currie European Unconstrained	-2.46%	4
Premier Miton European Opportunities	-2.57%	4
Schroder European Alpha Plus	-7.70%	4
Liontrust Sustainable Future European Growth	-15.05%	4
⊕ Baillie Gifford European	-29.85%	4
Sector average	13.69%	
ASIA PAC EX JAPAN		
Fidelity Sustainable Asia Equity	-24.55%	3
Omnis Asia Pacific ex-Japan Equity	-24.59%	3
Baillie Gifford Pacific	-25.03%	4
abrdrn Asia Pacific Equity	-25.59%	4
Janus Henderson Asia Pacific Capital Growth **	-27.06%	4
BNY Mellon Asian Opportunities	-27.36%	4
Fidelity Asia	-28.15%	4
Allianz Total Return Asian Equity	-29.34%	4
FTF Martin Currie Asia Unconstrained	-30.24%	4
CT Asia	-32.25%	4
Sector average	-13.67%	

DROPZONE

↓ % UNDERPERFORMANCE FROM SECTOR AVERAGE

1	Baillie Gifford Global Discovery	-72.70%
2	Baillie Gifford Japanese Smaller Companies	-46.24%
3	Jupiter UK Mid Cap	-44.86%
4	SVS Aubrey Global Conviction	-43.78%
5	Baillie Gifford European	-43.54%
6	Baillie Gifford Sustainable Growth	-41.64%
7	Baillie Gifford Health Innovation	-39.60%
8	abrdrn UK Mid Cap Equity	-36.58%
9	SVM UK Growth	-36.15%
10	Baillie Gifford UK Equity Alpha	-35.39%

* The history of this unit/share class has been extended, at FE's discretion, to give a sense of a longer track record of the fund as a whole.

Please read the important notice on page 2. This is a purely statistical table, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years. All cumulative statistics % change bid to bid, net income reinvested, three years to 17/01/2024. Source FE fundinfo. Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services takes no responsibility for any errors, omissions or inaccuracies therein.

⊕ Funds in the DropZone