

THE REDZONE

The RedZone names and shames the worst-performing funds over three years. Meanwhile, the DropZone highlights funds which have underperformed their sector averages by the largest amount.

This morning I learned about 'The life-changing magic of tidying'. It's a book about, well, tidying. It was recommended by a colleague who, in the spirit of 'new year and new beginnings', has spent the first week of 2019 decluttering her home. The book (which is now a programme on Netflix - Tidying up with Marie Kondo) forces you to ask yourself: does an object in your house spark joy? Do you really want to keep it? If not, out it goes!

While I'm not pinning my hopes on a film deal, I like to think this RedZone can help investors to get rid of any unwanted funds which have not brought joy for some time.

DO YOU WANT THE GOOD NEWS OR THE BAD NEWS?

While the number of funds in the RedZone this year has remained almost exactly the same (188 compared with 187 in 2018), the good news is that the value of underperforming assets has dropped significantly from some £94.4bn to £66.3bn.

The bad news - for those who stayed close to home with their investments - is that the UK All Companies sector has 28 funds in the RedZone. This is 20 more funds in comparison to this time last year, with assets in excess of £22.2bn. That's a lot of disappointed investors.

The second worst performing sector was Global, with 22 funds and £4.6bn of assets - although this was three funds and £5bn less than last year. Meanwhile, Mixed Investments 40-85% Shares climbed to third position with 13 funds and £3.9bn of assets.

COMPANY RANKINGS

When it comes to fund management companies, Aberdeen Standard Investments still has a long way to go to sort out the poor performance of some of its funds. The group has 20 funds in the RedZone (two more than last year), but at £10.7bn the value of underperforming assets has fallen by a third over the past 12 months.

The second worst company is still HSBC, with eight funds and £2bn of assets. While Invesco has fewer funds making an appearance in the RedZone, on an assets basis it should really be placed second with £12bn of assets that qualify.

Meanwhile, Jupiter claims third spot. It has seven funds in the RedZone, accounting for £2.2bn of assets.

DROPZONE: OUT WITH THE OLD AND IN WITH THE NEW

The biggest changes to the table this year took place in the DropZone, where there has been significant change. Perennial offender SF Webb Capital Smaller Companies Growth has had a name and mandate change and finally had a good year, pulling it out of the RedZone entirely.

The company behind HC FCM Salamanca Global Property 1 - another fund which consistently appeared in the DropZone in the past - has asked the Financial Conduct Authority, the regulator, for permission to wind up the fund. In addition, two other persistent underperformers have changed their focus or manager, while three have turned around performance.

The worst performing fund this year is Close FTSE techMARK, a tracker fund which replicates the

FTSE techMARK Focus index. This fund has lagged because it invests only in UK rather than global technology. Candriam SRI Equity Emerging Markets claims second place, followed by MFS Meridian Global Energy.

Making their first appearance in the DropZone are, unfortunately, three funds that many investors may well hold: FP Argonaut European Alpha, Jupiter UK Growth and LF Woodford Equity Income.

The latter is a point of contention in the Chelsea offices. Some - like myself - have lost patience and are no longer invested in the fund. In my view, there are a number of excellent alternatives on the Chelsea Selection. However, others here have more faith that fund manager Neil Woodford can turn performance around. He does, after all, have a very good long-term track record.



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DROPZONE

% UNDERPERFORMANCE FROM SECTOR AVERAGE

1	Close FTSE techMARK	47.87
2	Candriam SRI Equity Emerging Markets	42.49
3	MFS Meridian Global Energy	39.99
4	Quilter Investors UK Equity Income II	39.40
5	Comgest Growth Gem Promising Companies *	31.96
6	Guinness Alternative Energy	31.71
7	GAM Star China Equity	29.37
8	FP Argonaut European Alpha	26.51
9	Jupiter UK Growth	26.47
10	LF Woodford Equity Income	25.33

* 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.

	3 YEAR % Growth	Quartile position
ASIA PACIFIC EXCLUDING JAPAN		
GAM Star Asian Equity	19.58	4
JOHCM Asia ex Japan	21.23	4
Matthews Asia Small Companies	27.94	4
Waverton Asia Pacific	26.94	4
GAM Star Asia Pacific Equity	32.69	4
SECTOR AVERAGE	42.04	

CHINA/GREATER CHINA		
Barings China Select	23.93	4
GAM Star China Equity	8.78	4
SECTOR AVERAGE	38.15	

EUROPE EXCLUDING UK		
Barclays Europe (ex-UK) Alpha	-0.83	4
Fidelity European Opportunities	15.32	4
Argonaut European Alpha	-6.56	4
HSBC European Growth	10.83	4
Invesco European Opportunities (UK)	7.25	4
Jupiter European Special Situations	11.52	4
Liontrust European Enhanced Income	-4.53	4
Merian European Equity (ex UK)	7.16	4
SLI European Equity Growth	18.84	3
SLI European Equity Income	15.96	4
Standard Life TM European	15.96	4
SECTOR AVERAGE	19.95	

EUROPE INCLUDING UK		
Amundi SICAV II Top European Players	9.8	4
JPM Europe Equity Plus	15.62	3
Merian European Equity	1.96	4
SLI European Equity Unconstrained	-0.79	4
Threadneedle (Lux) Pan European Equity Dividend	10.56	4
SECTOR AVERAGE	16.71	

EUROPEAN SMALLER COMPANIES		
Amundi SICAV II European Potential	8.91	4
Invesco European Smaller Companies (UK)	13.91	4
SECTOR AVERAGE	20.34	

FLEXIBLE INVESTMENT		
Allianz Global Fundamental Strategy	-2.41	4
Carmignac Portfolio Emerging Patrimoine	5.03	4
Carvetian Capital	4.25	4
Carvetian Generation	4.09	4
City Financial Multi Asset Dynamic	6.64	4
First State Diversified Growth	9.25	4
Nomura Diversified Growth	-6.42	4
Serasin Fund of Funds Global Growth	13.46	3
Schroder Dynamic Multi Asset	6.23	4
Stan Life Wealth Acer	10.65	4
Stan Life Wealth Bridge	11.13	4
SECTOR AVERAGE	18.07	

GLOBAL		
BlackRock NURS II Global Equity	29.76	3
Fidelity Wealthbuilder	26.59	4
GAM Star Composite Global Equity	26.48	4
GAM Star Worldwide Equity	15.75	4
Guinness Alternative Energy	0.89	4
Janus Henderson Multi-Manager Global Select	28.39	3
JPM Global Dynamic	25.75	4
LF Adam Worldwide	27.11	4
Marlborough Global	24.22	4
MFS Meridian Global Energy	-7.39	4
MI Charles Stanley UK & International Growth	21.22	4
Oldfield Overstone UCITS Global Smaller Companies	17.21	4
Principal GIF Global Equity *	22.08	4
Schroder Global Alpha Plus	28.29	3
Scottish Widows Opportunities Portfolio	20.43	4
Stan Life Wealth Falcon	8.19	4
SLI Global Equities	10.2	4
Standard Life TM International	29.98	3
SVM World Equity	19.94	4
TM Global Equities I	18.3	4
TM Global Equities II	18.69	4
TM UBS (UK) Global Equity	25.43	4
SECTOR AVERAGE	32.60	

GLOBAL BONDS		
Barclays Global Access Global Govt Bond	1.86	4
Carmignac Portfolio Unconstrained Global Bond	9.41	3
Fidelity Global Inflation Linked Bond	3.94	4
FP SCDavies Global Fixed Income	-1.23	4
GS Global Fixed Inc Plus Portfolio (Hedged)	3.41	4
GS Global Fixed Income Portfolio (Hedged)	5.11	4
Invesco Global Bond (UK)	11.72	3
Smith & Williamson Global Inflation Linked Bond	8.48	4
SLI Short Duration Global Index Linked Bond	4.47	4
TM UBS (UK) Global Fixed Income	1.18	4
SECTOR AVERAGE	19.39	

GLOBAL EMERGING MARKETS		
Aberdeen Global Emerging Markets Smaller Companies	24.1	4
Candriam SRI Equity Emerging Markets	1.05	4
Carmignac Portfolio Emergents	21.42	4
Comgest Growth Gen Promising Companies *	11.58	4
EP Emerging Opportunities *	32.3	4
Janus Henderson Emerging Markets Opportunities	39.12	3
Lazard Emerging World *	39.83	3
Man GLG Unconstrained Emerging Market Equity	30.58	4
MI Somerset Emerging Markets Dividend Growth	30.57	4
Newton Emerging Income	30.52	4
SECTOR AVERAGE	43.54	

JAPAN		
Aviva Investors Japan Equity MoM 1	21.86	4
AXA Rosenberg Japan	25.87	3
BlackRock GF Japan Flexible Equity	26.1	3
BNY Mellon Japan All Cap Equity	23.89	4
JOHCM Japan	18.69	4
Principal GIF Japanese Equity	13.8	4
SECTOR AVERAGE	28.83	

MIXED INVESTMENT 0-35% SHARES		
7IM AAP Moderately Cautious	5.46	4
7IM Moderately Cautious	3.24	4
City Financial Multi Asset Diversified	1.67	4
EF New Horizon Cautious	4.36	4
FP Russell INV Multi Asset Growth I	6.16	4
Optimal Multi Asset Defensive	3.41	4
SECTOR AVERAGE	9.92	

MIXED INVESTMENT 20-60% SHARES		
7IM Balanced	7.7	4
City Financial Multi Asset Balanced	1.62	4
FP Russell INV Multi Asset Growth II	8	4
FP Russell INV Multi Asset Income	5.84	4
Jupiter Enhanced Distribution	6.36	4
L&G Distribution Trust	6.14	4
Margetts Providence Strategy	8.64	4
Margetts Sentinel Income Portfolio	10.36	3
MGTS Frontier Cautious	4.9	4
Quilter Investors Diversified Portfolio	4.37	4
Royal Bank of Scot Cautious Growth	7.95	4
Virgin Bond Gilt UK Share	7.91	4
SECTOR AVERAGE	12.20	

MIXED INVESTMENT 40-85% SHARES		
7IM AAP Moderately Adventurous	15.16	3
7IM Moderately Adventurous	11.51	4
City Financial Multi Asset Growth	0.13	4
TB Doherty Active Managed	8.75	4
Family Balanced International	11.52	4
Fidelity Moneybuilder Balanced	4.28	4
HSBC Balanced	14.29	3
Jupiter Distribution and Growth	-0.23	4
Optimal Multi Asset Opportunities	11.72	4
Serasin Fund of Funds Global Diversified Growth	13.59	4
Stan Life Wealth Balanced Bridge	14.93	3
Thesis Libero Strategic *	11.31	4
TM UBS (UK) UK Income Focus	13.58	4
SECTOR AVERAGE	16.54	

NORTH AMERICA		
Allianz US Equity	38.36	3
BlackRock US Opportunities	28.32	4
Legg Mason ClearBridge US Aggressive Growth	25.66	4
Natixis Loomis Sayles US Research	34.97	4
Principal GIF U.S. Equity	32.85	4
Royal London US Growth Trust	29.27	4
SLI American Equity Unconstrained	25.15	4
Standard Life TM North American	33.53	4
Winton US Equity *	36.08	3
SECTOR AVERAGE	40.98	

NORTH AMERICAN SMALLER COMPANIES		
Threadneedle American Smaller Companies (US)	32.26	4
SECTOR AVERAGE	43.49	

STERLING CORPORATE BOND		
Aviva Investors Monthly Income Plus	11.66	3
Barclays Sterling Corporate Bond	10.74	4
Halifax Corporate Bond	11.1	3
Kames Sterling Corporate Bond *	10.95	3
Royal Bank of Scot Extra Income	8	4
SECTOR AVERAGE	12.05	

* 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.

STERLING HIGH YIELD BOND		
Aviva Investors High Yield Bond	6.75	4
Scottish Widows High Income Bond	8.43	4
SECTOR AVERAGE	12.99	

STERLING STRATEGIC BOND		
Aviva Investors Strategic Bond	5.59	4
L&G Dynamic Bond	-2.76	4
Quilter Investors Sterling Diversified Bond	6.07	4
Quilter Investors Strategic Bond	6.59	4
SECTOR AVERAGE	10.22	

TECHNOLOGY & TELECOMMUNICATIONS		
Aberdeen Global Technology Equity	49.39	3
Close FTSE techMARK	11.75	4
SECTOR AVERAGE	59.60	

UK ALL COMPANIES		
Artemis UK Special Situations	-1.24	4
Fidelity Moneybuilder Growth	-0.56	4
Franklin UK Opportunities	10.07	3
GVQ Opportunities	-0.69	4
HSBC Common Fund for Growth	2.06	4
HSBC UK Focus	1.8	4
HSBC UK Freestyle	1.77	4
HSBC UK Growth & Income	3.73	4
Invesco High Income (UK)	-2.6	4
Invesco Income (UK)	-3.23	4
Invesco UK Strategic Income (UK)	-7.86	4
Janus Henderson UK Responsible Inc	4.47	4
Jupiter Growth & Income	-1.31	4
Jupiter Responsible Income	2.97	4
Jupiter UK Alpha	-2.84	4
Jupiter UK Growth	-14.27	4
Kames UK Equity *	3.01	4
Kames UK Opportunities	-3.15	4
L&G Ethical Trust *	1.26	4
Legg Mason IF QS UK Equity	-3.92	4
LF Canlife UK Equity	-3.04	4
LF Woodford Equity Income	-13.13	4
Marks & Spencer UK Select Portfolio	5.22	4
Merian UK Equity	2.78	4
Quilter Investors UK Equity Income II	-27.2	4
Quilter Investors UK Equity Opportunities	-2.49	4
Santander N&P UK Growth Unit Trust	1.91	4
TC Delmore Growth & Income	-2.96	4
SECTOR AVERAGE	12.20	

UK EQUITY & BOND INCOME		
HSBC Monthly Income	7.5	3
SECTOR AVERAGE	11.15	

UK EQUITY INCOME		
Ardevora UK Income	-1.04	4
Castlefield B.E.S.T Sustainable Income	-5.24	4
HC Kleinwort Hambros Equity Income	1.89	4
HL Multi Manager Income & Growth	6.11	3
HSBC Income	3.73	3
Liontrust Macro Equity Income	3.48	3
M&G Dividend	1.87	4
Royal Bank of Scot Equity Income	6.84	3
Santander Dividend Income Portfolio	2.79	3
Santander Equity Income Unit Trust	4.99	3
SECTOR AVERAGE	8.41	

UK GILTS		
Aviva Investors UK Gilts MoM 1	9.22	4
LF Canlife UK Government Bond	9.18	4
Quilter Investors Gilt Index	10.24	4
Schroder Gilt & Fixed Interest	10.49	3
Scottish Widows Gilt *	9.28	4
SECTOR AVERAGE	13.24	

UK INDEX LINKED GILTS		
M&G Index-Linked Bond	25.47	4
SECTOR AVERAGE	27.32	

UK SMALLER COMPANIES		
Aberforth UK Small Companies	8.7	4
Dimensional UK Small Companies	5	4
L&G UK Smaller Companies Trust	-2.4	4
Royal London UK Smaller Companies	11.73	4
Scottish Widows UK Smaller Companies	12.52	3
SECTOR AVERAGE	21.35	

Please read the important notice on page 2. This is a purely statistical chart, 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 01/01/2019. Source FE Analytics. 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.