

THE REDZONE



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The RedZone is back by popular demand. The RedZone names and shames the funds which have underperformed for three years in a row.* This lets you see at a glance which funds are the serial underperformers. The DropZone shows you the 10 funds which have underperformed their sector average by the largest amount.

The start of a new year is a great time to have a quick look at your funds and check if they're delivering. The good news is that the RedZone is relatively small this year with just 64 funds in the list. Last time we ran it there were over 300 funds. Fund groups are now forced to regularly reassess the value their funds offer and this seems to be prompting them to take action sooner.

The main reason for the small number of funds is that many different styles of investing have had their moments over the past three years. In 2020 during the pandemic, growth stocks did extremely well as we were all forced to stay at home and rely on more tech. As economies reopened and inflation reappeared the value style of investing came back with a vengeance and tech faltered. The net

result of all this is that most funds have had at least one year where they outperformed. Those funds which remain in the list have some serious questions to answer.

Despite all this £13bn still resides in RedZone funds. The worst sector was UK All Companies with £3.8bn and 7 funds, followed by the Mixed Investment 20-60% Shares sector with £2.3bn and 7 funds and the Global sector with £739m and 9 funds.

The worst company was Halifax with £2.7bn and 3 funds. Followed closely by Aberdeen with £1.7bn and 4 funds. Regular readers of past RedZone's may remember Aberdeen has been a regular offender. They have actually made progress from the last time we ran the RedZone when they had £7.6bn and 15 funds. Given that context this is actually a substantial improvement.

DROPZONE

The worst performer in the DropZone is the Aegon Property Income fund. This fund has been a major disappointment and announced it would wind up in August 2021. 66% of the net asset value on closure has been distributed to clients. Unfortunately, the fund is closed



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for trading and investors will have to be patient before they get their final proceeds back. Readers will know Chelsea does not have any direct property funds on its buy lists because of this illiquidity risk.

The fund with the largest amount of assets in the DropZone is Fidelity American which some clients may hold. This fund has been a serial underperformer for a long time now. Whilst Fidelity generally has a strong track record of active management, they like many others struggle in the US market.

Finally, I'll highlight Jupiter UK Growth which just misses the DropZone by a fraction but is still a relatively large fund with £404m and has been widely held by our clients in the past. The fund was previously hurt by its domestic bias following the Brexit vote in 2016. It looks very different today with a new manager in place since 2020. Performance has improved but the fund continues to underperform.

*Source: Funds with a new manager in the past 18 months are excluded.

*Source: Source for Data - FE Funds Info Retail UT and OEIC sectors 09/01/2020-09/01/2023

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.

	3 Year % Growth	Quartile position
CHINA/GREATER CHINA		
Janus Henderson China Opportunities	-12.73	4
Sector average	-0.21	

EUROPE EXCLUDING UK		
⊕ Schroder European Sustainable Equity	-9.62	4
⊕ VT Argonaut European Alpha	-8.05	4
Schroder European Alpha Plus	-2.02	4
Jupiter European Special Situations	0.56	4
TM CRUX European Special Situations	6.9	4
Artemis European Sustainable Growth	7.24	4
Sector average	17.82	

EUROPEAN SMALLER COMPANIES		
CT European Smaller Companies	2.61	4
Sector average	14.76	

FLEXIBLE INVESTMENT		
Virgin Pension Growth 1	-5.85	4
FP Apollo Multi Asset Adventurous	-4.68	4
Scottish Widows Balanced Income Portfolio	-4.56	4
SPW Discovery Solution	-4.04	4
LF Bentley Global Growth	-2.42	4
IFSL Sanlam Growth	-0.98	4
Sector average	9.09	

GLOBAL		
⊕ FTF Martin Currie Global Unconstrained	-7.63	4
T. Bailey Fund Srvs Ltd (ACD) TB Calibre Equity	-2.26	4
VT Avastra Global Equity	0.8	4
Thesis The Saint Martins	1.99	4
Halifax Fund of Investment Trusts	4.44	4
SJP Global Smaller Companies	4.52	4
S&W Eagle	5.44	4
Margetts Opes Growth	5.88	4
VT Rossie House Portfolio	6.04	4
Sector average	17.83	

GLOBAL BONDS		
FTF Templeton Global Total Return Bond	-23.41	4
VT Avastra Global Fixed Income	-18.09	4
Sector average	-5.63	

GLOBAL EM BONDS - BLENDED		
Templeton Emerging Markets Bond	-14.64	4
Sector average	9.6	

GLOBAL EMERGING MARKETS		
SJP Global Emerging Markets	-16.62	4
MI Somerset Global Emerging Markets	-15.76	4
Sector average	2.13	

GLOBAL EQUITY INCOME		
Oldfield Overstone Global Equity Income	-1.27	4
UBS Global Enhanced Equity Income Sustainable	1.89	4
Sector average	20.55	

INFRASTRUCTURE		
TIME Investments ARC TIME UK Infrastructure Income II	-1.54	4
Sector average	11.14	

JAPAN		
Invesco Responsible Japanese Equity Value Discovery (UK) **	-12.26	4
Sector average	3.9	

MIXED INVESTMENT 0-35% SHARES		
DMS Stirling House Monthly Income	-13.43	4
Sector average	-3.42	

MIXED INVESTMENT 20-60% SHARES		
⊕ VT EPIC Multi Asset Balanced	-25.87	4
EF 8AM Cautious	-16.79	4
T. Bailey Fund Srvs Ltd (ACD) TB Doherty Distribution	-12.67	4
UBS Global Diversified Income	-11.61	4
UBS Multi Asset Income**	-11.33	4
Halifax Cautious Managed	-9.76	4
Virgin Money Growth 1	-9.57	4
Sector average	0.82	

MIXED INVESTMENT 40-85% SHARES		
⊕ VT EPIC Multi Asset Growth	-20.56	4
EF 8AM Growth	-15.12	4
EF 8AM Balanced	-14.72	4
VT Greystone Balanced Managed	-4.52	4
Sector average	7.17	

NORTH AMERICAN		
⊕ Fidelity American	4.03	4
abrdn American Equity	13.95	4
Sector average	26.67	

PROPERTY OTHER		
Premier Miton Pan European Property Share	-17.57	4
Sector average	-4.94	

STERLING STRATEGIC BOND		
Virgin Pension Bond and Gilt	-16.55	4
Virgin Money Bond and Gilt	-16.52	4
Sector average	-5.17	

TARGETED ABSOLUTE RETURN		
⊕ Jupiter Flexible Macro	-34.31	4
Sector average	3.18	

UK ALL COMPANIES		
Jupiter UK Growth	-19.61	4
Unicorn Outstanding British Companies	-18.01	4
abrdn UK Ethical Equity	-14.11	4
Halifax Special Situations	-13.11	4
BNY Mellon Sustainable UK Opportunities	-10.37	4
Troy Asset Management Ltd Trojan Income	-7.54	4
M&G Recovery	-7.43	4
Sector average	2.67	

UK DIRECT PROPERTY		
⊕ Aegon Property Income	-44.75	4
Sector average	-2.98	

UK SMALLER COMPANIES		
⊕ MI MI Sterling Select Companies	-35.93	4
⊕ Sarasin UK Thematic Smaller Companies	-28.26	4
abrdn UK Smaller Companies	-13.93	4
Sector average	-0.81	

DROPZONE

↓ % UNDERPERFORMANCE FROM SECTOR AVERAGE

1	Aegon Property Income	-41.77
2	Jupiter Flexible Macro	-37.49
3	MI MI Sterling Select Companies	-35.12
4	VT EPIC Multi Asset Growth	-27.73
5	Sarasin UK Thematic Smaller Companies	-27.45
6	Schroder European Sustainable Equity	-27.44
7	VT EPIC Multi Asset Balanced	-26.69
8	VT Argonaut European Alpha	-25.87
9	FTF Martin Currie Global Unconstrained	-25.46
10	Fidelity American	-22.64

* 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 09/01/2023. 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