Best and worst performing funds revealed

By David Thorpe

Funds focused on gold topped the performance charts in December, as carnage visited markets.

Data from FE Analytics showed the best performing fund in the Investment Association universe in the month of December was the Charteris Gold and Precious Metals fund, which rose by more than 11.9 per cent.

The next best performer was the Investec Gold fund, which returned 11.5 per cent.

Gold is typically bought by investors seeking a safe haven, and as a hedge against inflation.

Those priorities are also evident in the best performing sectors in the IA universe during the month, with Index Linked Gilts topping the performance charts, returning 2.57 per cent, ahead of the return from conventional gilts, which was 2.27 per cent.

10 best-performing funds

Funds	Percentage Return
HC Charteris Gold & Precious Metals	11.98
Investec Global Gold	11.58
BlackRock Gold & General	9.55
Quilter Investors Precious Metals Equity	9.17
Smith & Williamson Global Gold & Resources	8.74
Merian Gold And Silver	8.5
GAM Star Global Rates	8.02
LF Ruffer Gold	7.66
Polar Capital UK Absolute Equity	7.31
Oldfield Overstone UCITS EAFE Equity	5.96

Source: FE Analytics, performance from 30th November 2018 to 31st December 2018 in pounds sterling on a total return basis

Index linked gilts pay an income that rises and falls in line with the prevailing rate of inflation.

UK inflation could rise in 2019 if sterling falls sharply in value as a result of a decline in the value of the pound if the UK exits the European Union without a deal, or it could rise if the UK exits with a deal and economic growth improves.

The worst performing sector was the IA North American Smaller Companies, which lost 11.4 per cent as investors fear the consequence of US interest rate rises on domestic demand.

The next worst performing sector was IA Japan Smaller Companies, which lost over 10 per cent, as the market reacted to economic data showing the Japanese economy contracted in the most recent quarter, while the slowdown in the Chinese economy also worried investors.

Negative sentiment around Japanese equities resulted in the worst performing fund being Baillie Gifford Japan, which lost 14 per cent.

The second worst performer was Legg Mason Royce US Small Cap Opportunity fund.

10 worst-performing funds

Funds	Percentage Return
Baillie Gifford Japanese Smaller Companies	-14.47
Legg Mason Royce US Small Cap Opportunity	-13.81
RWC Nissay Japan Focus	-13.3
Schroder ISF Global Energy in GB	-12.95
Barclays GlobalAccess US Equity	-12.84
LF Miton US Smaller Companies	-12.6
The Boston Company US Opportunities	-12.47
Royal London US Growth Trust	-12.37
AXA Framlington Biotech	-12.11
M&G Global Recovery	-12.04

Source: FE Analytics, performance from 30th November 2018 to 31st December 2018 in pounds sterling on a total return basis

The only UK sector among the 10 worst performing was UK Smaller Companies.

Adrian Lowcock, head of personal investing at Willis Owen, said negative sentiment around Brexit had hit the asset class.

Mr Lowcock said: "December saw little to celebrate for investors as concerns over the strength of the global economy continued to weigh on stock markets.

"However, diversified investors will have at least seen some areas of their portfolios deliver positive returns as investors moved into more defensive assets with UK Index-Linked Gilts and UK Gilts offering the best returns for the month.

"Corporate bonds also provided some positive returns, led by the Global Emerging Markets Bond sector, while property, targeted absolute return funds and high yield bonds sheltered investors from the worst of the falls.

"December should act as a reminder to investors that diversification and exposure to a variety of assets classes can protect their capital just when that is needed."