

Star City fund managers fall to earth

BRITAIN'S top fund managers are nearly all dramatically underperforming the [stock market](#) this year, costing their army of fans in the [City](#) and among retail investors billions of pounds.

Research for the [Evening Standard](#) shows that of the 18 fund categories set up by [the Investment Association](#) – everything from Global Emerging Markets to Europe to America to Japan – all bar one are below their benchmark.

All aside from Latin America have lost money since last year.

Big names who are well behind the market include [Terry Smith](#), Nick Train and Stephen Yiu.

Between them, they manage billions of pounds on behalf of many thousands of investors, some of whom are relying on the funds for their retirement.

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The funds take higher charges than simple index trackers on the expectation they will beat the stock market. Lately, they are doing worse, in some cases far worse, than markets that are also well down as global recession fears mount.

The IA, whose members oversee towards £10 trillion on behalf of millions of Britons, said: "There is no doubt investors and fund managers have been heavily affected by the negative market and economic conditions this year that have been driven by many factors, including the war in Ukraine. However, investing is for the longer term and investment managers deliver significant long-term value for savers."

Terry Smith, a City legend with punchy views who is the founder of Fundsmith, said: "The Fundsmith Equity Fund invests in a small number of high quality companies. This has been our strategy since day one and it won't change. Whilst a period of underperformance is never welcome it is nonetheless inevitable. No investment strategy will outperform in every reporting period and every type of market condition.

We are focused on delivering strong returns to our investors over the long-term."

Lindsell Train did not reply to a request for comment. Train has lately apologised for the performance of his funds, however.

Alan Miller of SCM Direct who conducted the research said: "For decades, UK retail investors have been sold a story. The UK investment industry has woven the tale that higher fees for active management gets you higher performance, especially when times get tough. The investment industry is a well-oiled marketing machine that sells retail investors stories. Now one of the main stories has been found to be a myth."

The Investment Association is led by chief executive Chris Cummings.

Its average fund is nearly 4% lower than the comparable index in the six months to late June. The UK All Companies funds, a popular category is down 12.6%, 6.6% worse than the FTSE All Share index.

Recent survey show that fund managers are more pessimistic about prospect for global growth than they have been for 30 years. Privately, some complain that the pressure to be seen to invest ethically makes it harder to make returns for investors.

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Terry Smith: £22bn Fundsmith down 21% compared to 12% for MSCI World Index

Nick Train: £5bn Lindsell Train UK Equity Fund down 16% compared to 4.6% for FTSE All Share

Stephen Yiu: £850m Blue Whale Growth down 32% compared to 12% for MSCI World

James Anderson (until April): £10bn Scottish Mortgage Investment Trust down 46% compared to 12% for MSCI World Index

All figs year to June 21