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## UK funds of funds outperform post-Brexit

By Ed Moisson

More than 60 per cent of flexible funds of funds outperformed the FTSE All Share index over the week following the UK's vote to leave the European Union, as moves to Brexit proof portfolios appeared to pay off.

The findings show that many UK fund selectors performed better than the FTSE All Share index, which was up 2.36 per cent over the period, and the FTSE 100, which rose by 3.95 per cent – two indexes that were expected to be impacted by the vote.

### Funds of funds coping well with Brexit

Fund	Return (%)
Margetts Frontier Adventurous	7.07
Margetts Venture Strategy	6.91
M&G Managed Growth	6.18
Fidelity Multi Asst Allctor Advtrs	5.78
Sentinel Enterprise	5.26
WAY Global Red Portfolio	5.12
Architas MA Active Dynamic	4.99
VT iFunds Spectrum Orange	4.69
Jupiter Merlin Growth	4.60
Fidelity Multi Asset Adventurous	4.39
<b>Average</b>	<b>2.86</b>
<b>FTSE 100</b>	<b>3.95</b>
<b>FTSE All Share</b>	<b>2.36</b>

Funds of funds in IA's Flexible Investment sector  
Return over seven days to 30/06/2016

Source: Morningstar

By comparison funds of funds in the Investment Association's Flexible Investment sector delivered an average return of 2.86 per cent, with 62 per cent achieving returns of more than 2.5 per cent, according to Morningstar data.

One quarter of the funds of funds posted returns of more than 3.9 per cent.

The two most successful funds of funds in the IA flexible sector, which are not restricted by the proportion of their portfolios that have to be invested in equities or bonds, are run by Margetts Fund Management.

Toby Ricketts, chief executive officer of Margetts, says he expected a vote to remain in the EU and had made large allocations to emerging markets as a result of cheap valuations.

Mr Ricketts says: “We got it right, if not for the right reasons.”

Both of the Margetts funds hold neither property nor mid-cap stocks as the firm thought these asset classes “could be vulnerable” in the event of a Brexit vote.

Brompton Asset Management, which manages two flexible funds of funds that returned more than 4 per cent over the week, did not take a view on the outcome of the referendum.

Gill Lakin, chief investment officer at Brompton, says that in the run-up to the referendum the firm’s fund managers “cleared the diaries and set aside time to sit down as a team and talk through the different scenarios”.

She says: “Those meetings were invaluable because when it was a Brexit [vote], we had really thought about it and discussed it as a team already and done the groundwork.”

Ms Lakin did not take a view on the result of the referendum because “as a fund manager you don’t really have an insight beyond anyone else’s insight into what might happen”.

“If that’s the case you shouldn’t take a view with somebody else’s money,” she adds.

She says Brompton’s investment team looked for funds that “had some asymmetry... that were going to do quite well whatever happened”.

Brompton focused on funds investing in larger UK companies in particular, notably the Lindsell Train UK Equity and Liontrust UK Special Situations funds.

M&G, the Managed Growth fund of which returned more than 6 per cent over the week, says its “focus [is] on the fundamentals” rather than short-term events.

Dave Fishwick, manager of the Managed Growth fund, says performance following the Brexit vote shows how “maintaining focus on longer-term fundamental factors in the face of short-term price volatility can be helpful”.

Mr Fishwick says: “The equity risk premium remains the most attractive opportunity today and therefore [M&G] did not make any changes to our portfolio prior to or since June 23.

“This has proved fruitful in recent days as most regional equity markets have rebounded from initial sharp declines.”

Fidelity, which has two flexible funds of funds among the best performers, also emphasises its long-term investment approach.

A Fidelity spokesperson says: “We did not seek to Brexit proof the funds ahead of the event partly because the result was too close to call and the portfolio managers are better able to assess appropriate positioning with fundamental analysis after the event.”

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