

New year rally sees all but one fund sector rise in January

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The opening month of 2019 has seen markets shake off the gloom that dominated the previous year, leading to significant returns from funds.



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Investors have had a strong start to 2019 with some areas of the market rallying hard and all but one Investment Association sector posting positive returns.

The new year started with investors nursing losses from 2018, after a combination of the US-China trade spat, tighter monetary policy, slowing global growth and Brexit weighed heavily on sentiment.

While 2018 saw investors in most fund sectors lose money, January 2019 was quite the opposite picture as 36 of the 37 Investment Association peer groups ended the month in positive territory. IA Global Bonds was the only one down, where the average fund lost 0.15 per cent.



The sectors making the highest average return in Jan 2019

Sector	Jan return
IA North American Smaller Companies	8.04%
IA Property Other	7.47%
IA Technology & Telecommunications	6.27%
IA European Smaller Companies	5.63%
IA China/Greater China	5.56%
IA UK All Companies	5.42%
IA North America	5.38%
IA Global Emerging Markets	5.29%
IA UK Equity Income	4.98%
IA UK Smaller Companies	4.60%
IA Global	4.60%
IA Europe Including UK	3.91%
IA Asia Pacific Excluding Japan	3.81%
IA Europe Excluding UK	3.78%
IA UK Equity & Bond Income	3.76%
IA Global Equity Income	3.76%
IA Specialist	3.56%
IA Japanese Smaller Companies	3.46%
IA Flexible Investment	3.44%
IA Mixed Investment 40-85% Shares	3.28%

Source: FE Analytics

As the table below shows, the highest average return during January came from the IA North American Smaller Companies sector. Its average member made an 8.04 per cent total return during the month, which followed a 4.51 per cent loss in 2018.

Although investors in the US had to cope with the Federal Reserve hiking rates in 2018, they were expecting a pause this year. This was confirmed earlier this week, when the central bank maintained interest rates and hinted that it may slow the pace of its hiking programme.

[Legg Mason Royce US Small Cap Opportunity](#) was the best performing IA North American Smaller Companies fund in January with an 11.32 per cent gain, followed by [Barclays GlobalAccess US Small & Mid Equity](#) (11.19 per cent) and [JPM US Small Cap Growth](#) (9.53 per cent).

IA Property Other made the second-highest average return, with its top performers being [HC Charteris Property](#) (12.62 per cent), [Aberdeen Property Share](#) (10.80 per cent) and [Premier Pan European Property Share](#) (10.33 per cent).

The IA Technology & Telecommunications sector, which was at the epicentre of the sell-off in the second half of 2018, came in third place. January's best funds from this peer group were [T. Rowe Price Global Technology Equity](#) (10.71 per cent), [Fidelity Global Technology](#) (9.17 per cent) and [Pictet Digital](#) (7.58 per cent).

Looking at individual funds, it is clear that the Brazilian equity market – which was one of the few strong performers in 2018 – has continued to top the tables at the start of the new year.

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The MSCI Brazil index posted a 16.27 per cent total return (in local currency terms) during 2018 compared with a 7.69 per cent fall in the MSCI AC World benchmark. Sentiment towards the country was bolstered by the election of far-right candidate Jair Bolsonaro as president; Bolsonaro has promised a number of pro-business reforms as well as plans to kickstart Brazil's flagging economy.

The funds making the highest total return in Jan 2019

Fund	Sector	Jan return
HSBC GIF Brazil Equity	IA Specialist	15.40%
BNY Mellon US Opportunities	IA North America	12.97%
MFS Meridian Latin American Equity	IA Specialist	12.87%
AXA Framlington Biotech	IA Specialist	12.87%
HC Charteris Property	IA Property Other	12.62%
HSBC GIF Latin American Equity	IA Specialist	12.53%
Pictet Biotech	IA Specialist	12.22%
Templeton Latin America	IA Specialist	12.16%
Fidelity Latin America	IA Specialist	11.85%
M&G Global Emerging Markets	IA Global Emerging Markets	11.66%
JPM Brazil Equity	IA Specialist	11.40%
BlackRock GF Latin American	IA Specialist	11.34%
Legg Mason Royce US Small Cap Opportunity	IA North American Smaller Companies	11.32%
Standard Life Investments UK Equity Impact Employment Opportunities	IA Unclassified	11.24%
Barclays GlobalAccess US Small & Mid Equity	IA North American Smaller Companies	11.19%
Neptune Latin America	IA Specialist	11.05%
Barings Latin America	IA Specialist	11.02%
Investec Global Special Situations	IA Global	11.02%
Quilter Investors Equity 1	IA UK All Companies	10.98%
LF Holly	IA Unclassified	10.97%
Aberdeen Property Share	IA Property Other	10.80%
Franklin UK Mid Cap	IA UK All Companies	10.79%
T. Rowe Price Global Technology Equity	IA Technology & Telecommunications	10.71%
Pictet Emerging Europe	IA Specialist	10.68%
LF Canlife Global Resource	IA Specialist	10.55%
Aberdeen Eastern European Equity	IA Specialist	10.54%
Marlborough UK Multi-Cap Growth	IA UK All Companies	10.50%
JPM Latin America Equity	IA Specialist	10.39%
Brown Advisory Latin American	IA Specialist	10.36%
Pictet Timber	IA Specialist	10.33%
Premier Pan European Property Share	IA Property Other	10.33%

Source: FE Analytics

The [HSBC GIF Brazil Equity](#) fund made the highest total return of the entire Investment Association universe in January 2019 after gaining 15.40 per cent.

In a recent update, managers Victor Benavides and Lee Ray said: "With elections behind us and a market-friendly cabinet in place, there is room to be optimistic about Brazilian equities for 2019, especially considering the macro backdrop with acceleration of the recovery, low and well-anchored inflation and abundant idle capacity.

"In the short term, markets may continue to experience volatility given global conditions (US dollar strengthening, commodity prices, US-Sino trade tensions, China growth concerns) and volatility related to reform agenda. As active managers, we see volatility as an opportunity to add certain names which we find appealing."

[BNY Mellon US Opportunities](#) came in second place with a 12.97 per cent total return last month. The fund aims to be market cap- and investment style-neutral; it also brings together some of The Mellon Company's key US large-cap growth and US mid/small-cap value strategies.

Funds investing in biotechnology had a strong start to 2019, with [AXA Framlington Biotech](#) and [Pictet Biotech](#) being among the 10 best performers in January.

When it comes to the domestic equity market, the highest ranked IA UK All Companies fund is [Quilter Investors Equity 1](#) with its 10.98 per cent total return. This is managed by Richard Watts, who also runs [Merian UK Mid Cap](#).

The FE Alpha Manager recently said he expects [UK mid-caps to have a decent 2019](#) after the "difficult" conditions of 2018. "I enter this year feeling more optimistic," Watts said. "There's only so far our highly rated stocks can fall before their valuations look very compelling, particularly in comparison with slower growing, highly rated bond proxies."

[Franklin UK Mid Cap](#) and [Marlborough UK Multi-Cap Growth](#) are the only other IA UK All Companies members to make it among January's 30 best performing funds.

The funds making the biggest losses in Jan 2019

Fund	Sector	Jan return
JPM India	IA Specialist	-9.06%
JGF-Jupiter India Select	IA Specialist	-9.02%
Neptune India	IA Specialist	-8.19%
City Financial Absolute Equity	IA Targeted Absolute Return	-8.10%
Jupiter India	IA Specialist	-7.91%
Invesco India Equity	IA Specialist	-7.03%
Aberdeen Global Indian Equity	IA Specialist	-6.94%
Franklin India	IA Specialist	-6.88%
HSBC GIF Indian Equity	IA Specialist	-6.44%
BlackRock GF India	IA Specialist	-6.12%
Pictet India Index	IA Specialist	-5.90%
First State Indian Subcontinent All-Cap	IA Specialist	-5.81%
Schroder ISF Indian Equity	IA Specialist	-5.66%
GS India Equity Portfolio	IA Specialist	-5.49%
Thesis TM Sanditon European Select	IA Targeted Absolute Return	-5.46%
Matthews India	IA Specialist	-5.21%
Fidelity India Focus	IA Specialist	-5.02%
Pictet Indian Equities	IA Specialist	-5.01%
Stewart Investors Indian Subcontinent Sustainability	IA Specialist	-4.98%
Mirae Asset India Sector Leader Equity	IA Specialist	-4.72%
Montlake DUNN WMA Institutional UCITS	IA Unclassified	-4.63%
Carmignac Portfolio Long-Short European Equities	IA Specialist	-3.91%
Comgest Growth Global Flex	IA Global	-3.45%
GAM Star (Lux) Emerging Alpha	IA Targeted Absolute Return	-3.42%
Waverton Global Strategic Bond	IA Global Bonds	-3.34%
Threadneedle Aquila Life Overseas	IA Unclassified	-3.05%
Polar Capital UK Absolute Equity	IA Targeted Absolute Return	-2.87%
Eaton Vance Int (Ire) US Value	IA North America	-2.82%
Pimco GIS Euro Short-Term	IA Global Bonds	-2.82%
NB Global Dynamic Asset Allocator	IA Specialist	-2.77%

Source: FE Analytics

While Brazilian funds dominated in the list of the month's best performers, it's those with a focus on India that are clustered at the bottom of the performance table – 18 of the 30 funds with the biggest losses in January invest in Indian equities.

The Indian market was one of the best-performing in 2018 but missed the rally that kick-started this year. The country is due to hold a general election between April and May this year, while investors have been disturbed by the country's weakening macroeconomic picture.

JPM India made the largest loss in January after falling 9.06 per cent, followed by **JGF-Jupiter India Select** and **Neptune India**. The only non-Indian equity fund among the 10 biggest fallers is **City Financial Absolute Equity**; it lost 8.10 per cent last month, following on from a 17.58 per cent slide in 2018.

Tags:

best performing funds emerging market equities

Funds:

Legg Mason Royce US Small Cap Opportunity Barclays GlobalAccess US Small & Mid Equity JPM US Small Cap Growth
 HC Charteris Property Aberdeen Property Share Premier Pan European Property Share
 T. Rowe Price Global Technology Equity Fidelity Global Technology Pictet Digital HSBC GIF Brazil Equity
 BNY Mellon US Opportunities AXA Framlington Biotech Pictet Biotech Quilter Investors Equity 1 Merian UK Mid Cap
 Franklin UK Mid Cap Marlborough UK Multi-Cap Growth JPM India JGF-Jupiter India Select Neptune India
 City Financial Absolute Equity

Sectors:

IA North American Smaller Companies IA Property Other IA Technology & Telecommunications IA UK All Companies

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