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Investing

The 10 best and worst performing funds of 2016



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Those, however, who ventured overseas into high-risk areas or boosted exposure to commodities at the start of the year, have fared much better, although some specialist punts have failed.

The top and bottom of the performance tables are usually filled with high-risk specialist funds where their particular sectors have either come in or out of favour, or funds with risk-taking managers whose bets have either come off or not.

This year has seen gold and commodity funds rise to the top. The gold price has risen from \$1,068 to a height of \$1,366 in July. It stands at \$1,137 today, shining in times of low interest rates and political uncertainty worldwide. Resource-heavy countries, such as Brazil and Russia, have benefited from this.

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Winners

Gold and other natural resources funds have come back into favour with general investment concerns about other asset classes and the relative strength of the US dollar, the currency in which they are typically priced, especially against the weakness of sterling, says Patrick Connolly, certified financial planner at Chase de Vere.

But while these funds have delivered spectacular performance if you look at 2016 in isolation, looking further back reveals the risks of investing in these specialist funds.

The top performing WAY Charteris Gold and Precious Metals fund lost 29% in 2015, 13% in 2014, 54% in 2013, 22% in 2012 and 28% in 2011.

This means that if you had invested £100 at beginning of 2011, it would only have been worth £15.96 at the beginning of 2016. In this context a return of over 100% in 2016 would have done relatively little to recoup your overall losses.

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"The top spots are generally resource related as many mining stocks suffered in 2015 but found a bottom before commodity prices got there at the start of 2016.

"From such low levels it doesn't take much for commodity stocks to rally and they have been given an extra boost with the presidential election result at the end of the year," adds Adrian Lowcock, investment director at Architas.

10 best-performing funds of 2016

Fund	Total return* (%)
WAY Charteris Gold & Precious Metals	123.5
MFM Junior Gold	119.6
HSBC GIF Russia Equity	85.6
SF Webb Capital Smaller Companies	85.1
Smith & Williamson Global Gold & Resources	82.1
JPM Natural Resources	80.6
CF Canlife Global Resource	74.4
Investec Global Gold	72.8
HSBC GIF Brazil Equity	72.7
CF Ruffer Gold	71.1

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On the other side of the performance spectrum, the bottom four performers all sit in the targeted absolute return sector and all have amassed sizeable losses in 2016.

These funds aim to preserve capital when stock markets fall. The trade-off is that in rising markets these funds will lag both the stock market and many of their sector rivals.

But spotting these funds requires a trained eye, with many regularly failing to live up to their billing. Around one in five have lost money over the past year.

"This is not what investors in this sector would be expecting and the performance of these funds is doing absolutely no favours to the sector as a whole, which is still trying to earn its stripes, or to the investment industry in general," says Mr Connolly.

While all three funds at the bottom of the table have better long-term performance, the numbers show the journey to absolute returns can be anything but a smooth ride.

"All absolute return funds target a positive return over at most three years, they go about their business in very different ways and with varying levels of risk," says Mr Lowcock.

"The presence of absolute return funds is a clear sign of how difficult a year it has been to forecast the macro economic environment and in particular how markets react to political events."

Most of the other worst-performing funds are in specialist investment sectors which have been out of favour. But Mr Connolly points out that the Jupiter UK Growth fund is an example of a fund manager who has taken risks but made the wrong calls.

A couple of property funds are at the bottom of the performance table, after **many of them suspended trading while they sold properties** to meet demand for withdrawals in the aftermath of the Brexit vote.

One, M&G Property Portfolio, is a member of the Moneywise **First 50 Funds** for beginners. We selected this fund for its conservative and diversified approach to managing property. In October it became the final fund to lift its trading suspension. Fund manager Fiona Rowley said that she "did not want to rush through sales at bargain prices simply to raise the cash".

- **Investment outlook for 2017**

Investors had already begun to sell UK real estate ahead of the referendum as this is an area vulnerable to a UK slowdown, says Mr Lowcock. The sell-off almost turned into widespread panic as the result became known.

Further, he points out that poor positioning and stock selection really hit some UK funds as the market reaction to the Brexit result caught investors by surprise.

A strong performance in the UK market was skewed to particular sectors, those which would benefit from weaker pound and away from areas most sensitive to a fall in UK GDP.

10 worst-performing funds of 2016

Fund	Total return* (%)
FP Charteris Property	-7.7
M&G Property Portfolio Sterling	-8.0
Axa Framlington Biotech	-9.1
Jupiter UK Growth	-9.1

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City Financial Absolute Equity	-14.6
CF Odey Absolute Return	-18.0
FP Argonaut Absolute Return	-26.2

Source: Hargreaves Lansdown. *31 December 2015 to 14 December 2016

This story was originally written for our sister magazine, [Money Observer](#).

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