

Most consistent funds revealed: UK Equity Income

The high level of volatility in the last five years has made it increasingly difficult for funds to consistently outperform.

By [Joshua Ausden](#), Reporter
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Only two [UK Equity Income](#) funds have outperformed their sector average in each of the last five calendar years, according to the latest FE Trustnet study.

Of the 82 funds with a long enough track record, only [CF Walker Crips UK Equity Income](#) and [Royal London UK Equity Income](#) outperformed their sector in 2007, 2008, 2009, 2010 and 2011.

Performance of funds 2007-2011

Name	2011 (%)	2010 (%)	2009(%)	2008 (%)	2007 (%)
CF Walker Crips UK Equity Income	-4.77	16.51	30.56	-26.37	2.62
Royal London UK Equity Income	-4.86	17.30	25.60	-28.18	0.80
IMA UK Equity Income	-5.85	14.58	22.88	-28.54	-1.21

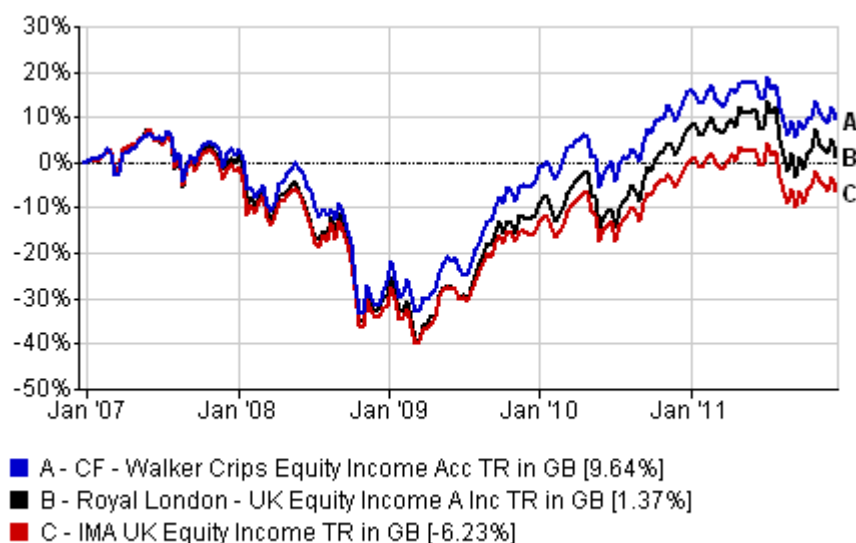
Source: [FE Analytics](#)

Neither of the funds top the sector over a one, three or five year period; however they are unmatched in terms of consistency.

While 2007, 2008 and 2011 were difficult years for equity markets, 2009 and 2010 saw massive gains in the FTSE. The defensive portfolios of [Neil Woodford](#) and [Francis Brooke](#) performed very well in the down periods, but underperformed during the market rallies, while the opposite is true of [John McClure](#) and [David Horner](#), who focus on more cyclical companies.

However, [Jan Luthman](#) and [Stephen Bailey](#) of [CF Walker Crips UK Equity Income](#) and [Martin Cholwill](#) of [Royal London UK Equity Income](#) managed to protect against the downside in 2007, 2008 and 2011, and keep up with the market during the 2009-2010 rally.

Performance of funds versus sector over 5-yrs



Source: [FE Analytics](#)

Luthman and Bailey's record is particularly impressive over the period; as well as outperforming in each calendar year, CF Walker Crips UK Equity Income is a top-10 performer over three and five year periods, with returns of 50.31 and 9.64 per cent respectively.

The fund has an [FE Crown Fund Rating](#) of five, and both Luthman and Bailey are [Alpha Managers](#). Cholwill's Royal London UK Equity Income fund has four crowns.

With the outlook for 2012 more uncertain than ever, a fund that can outperform in any market condition is a massive draw.

Bailey says his team's emphasis on macro thematic trends and low volatility are the main reason for the fund's high level of consistency.

"We are very proud of our top-down process, which we believe gives us a big advantage over our peers," he said.

"We don't chase short-term cyclical rallies, though we are flexible in our approach. In the last few years we have become more exposed to overseas earnings, and we have a higher conviction position in the pharmaceutical sector. We have held pharms for a while, but it's only in the last six to twelve months that it's become a theme."

While pharmaceutical companies tend to be viewed as defensive dividend payers, Bailey thinks the sector offers a compelling growth play.

"We see this as a mispriced sector; price-to-earning ratios of nine or ten are very low, and looking forward we anticipate re-ratings," he added.

The manager says the team completely ignores the make-up of its FTSE All Share benchmark. Around 11 per cent of the portfolio is invested in companies listed in the US, including Bristol-Myers and Merck & Co, which have a weighting of 2.07 and 1.75 per cent respectively.

Bailey is bullish on equities in the long-term, though he says the portfolio will continue to target a low level of volatility compared to its peer group.

Volatility of fund versus sector and index

Name	1yr vol. (%)	3yr vol. (%)	5 vol. (%)
CF Walker Crips UK Equity Income	16.97	16.28	17.76
IMA UK Equity Income	17.45	16.91	18.14
FTSE All Share	20.03	20.32	23

Source: [FE Analytics](#)

According to FE data, CF Walker Crips UK Equity Income is less volatile than its sector average and FTSE All Share benchmark over a one, three and five year period. It has an FE Risk Score of 83.

Original article available here: <http://www.trustnet.com/News/Research.aspx?id=297006>