If this email is not displaying correctly, click here to view in your browser.

+44 (0)20 7667 6600

Touchbutton

No: 25, March 2014

Tracking error – an understatement

Those patient investors who were advised at the end of the last millennium to save management fees and invest in a UK tracker fund are probably starting to think that, after 14 long years, they are finally getting closer to seeing a capital profit. Dividends have of course eased the pain considerably, but it has been a long journey in capital terms for trackers, and there is still some way to go. The UK market peaked on 30 December 1999 at 6950.6, and at the end of February stood at 6809.7.

Active managers have had to put up with bad press for many years, but the reality is that over the last fourteen years they have knocked the UK 100 Index – and index trackers - into a cocked hat.

What would have happened if an investor had ignored the advice of the tabloid press and invested in a decent fund or two? Well, the average UK All Companies Fund investing in the UK principally for growth, as measured by IMA, from 1 January 2000 to end February 2014 would have posted a total return (including dividends) of 83.4%. Over the same period, the UK 100 Index posted a total return of 58.9%.

The casual observer would expect that a typical tracker fund would be close to this index return. However, they would be wrong: the gap can be enormous. There were not many tracker funds in existence in 2000, but the HSBC FTSE 100 Retail fund has only managed a return of 38.4% over the same period, a significant 20% or so behind the index. Other tracker funds have also significantly lagged the market; Clerical Medical FTSE 100 tracker has managed just 40.2%.

1-0 to the believers in active management.

Berry Asset Management PLC
79 Pall Mall
London
SW1Y 5ES

t : +44 (0)20 7667 6600
f : +44 (0)20 3427 5400
w : www.berry.co.uk

If you no longer wish to receive Touchbutton please click here. Alternatively, you can write to us at: Berry Asset Management PLC, 79 Pall Mall, London, SW1Y 5ES, United Kingdom or email unsubscribe@berry.co.uk.

Berry Asset Management PLC is a specialist investment management company, dedicated to providing portfolio management services to the private investor and trustee. As such under the Retail Distribution Review definitions the Firm is considered “Restricted”. The value of investments, and the income arising from them, can go down as well as up, and is not guaranteed, which means that you may not get back what you invested. Whilst every effort has been made to ensure that the information contained in this document is correct, the directors of Berry Asset Management PLC can take no responsibility for any action taken (or not taken) as a result of the matters discussed within it. This document is issued and approved by Berry Asset Management PLC. Incorporated in England No: 1583393, registered address 79 Pall Mall, London, SW1Y 5ES. Authorised and regulated by the Financial Conduct

Authority. It is not intended as an offer to acquire or dispose of any security or interest in any security.

Issued and approved by Berry Asset Management PLC. Authorised and regulated by the Financial Conduct Authority 25 The North Colonnade, Canary Wharf, London E14 5HS. Incorporated in England No: 1583393. It is not intended as an offer to acquire or dispose of any security or interest in any security.

© 2014 Berry Asset Management. All rights reserved.