



The
Billion Pound
Pension Funds
That Fail Investors

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1. Introduction

Consumers deposit billions of pounds into pension funds each year with the optimism that their investment will secure a future after retirement which is free from financial worries.

In recent years some pension schemes, such as AXA's Retirement Distribution fund, have been hard at work, producing reliable and sizeable returns. Alarming, this is becoming increasingly rare with consumers receiving appalling results on their investments.

The current economic climate does not lend itself favourably to the success of pension funds but it is the obligation of the fund provider to make the investments work hard and produce results even in uncertain financial times.

A number of funds have well over £1 billion under management.

A disturbing percentage of these billion pound funds are performing well below average and in an escalating number of cases producing negative returns on investments. Despite this, pension investors continue to plunge their money in with the naïve optimism that eventually the fund will recover. Unfortunately for these pension holders, this has rarely occurred.

This document aims to highlight the **10 worst pension funds** exceeding this billion pound mark. With this in mind, hopefully we can increase pension holder's knowledge and understanding in relation to the negative situation described above. As a result of this we hope to promote active investigation of your funds and ensure that you are making your money perform to its full potential.

"Scottish Life Property Fund holding over £1.1 billion accumulates a negative AGR figure of -3.4%."

2. Billion Pound Pension Funds

In July 2009, 38 pension funds exceeded the billion pound mark. A rare few of the funds that featured in this category can be looked upon favourably. Of the 38, we have thrown the spotlight on the 10 worst performing pension funds in the market.

“750,000 people continue to stand by and watch their money underachieve”

Over £18 billion worth of investor capital has been plunged into these incompetently managed and under utilised funds alone. Due to the size and scale of the funds there is a high percentage chance that you may have an investment in one of the worst performing pension funds listed below. If this is true, YOUR money is performing catastrophically below its full potential.

With so many alternatives in the pension market, and some which are out performing the larger organisations, the question is, are you willing to sit back and watch your money perform atrociously?

There is an argument that leaving investment in large scale funds, like the ones listed in the following section, can produce heightened returns if the fund experiences a recovery. This is true to an extent but the high profile, seemingly trusted, firms such as Lloyds TSB, HSBC and Abbey have not simply experienced a dip in performance for a year or two, these funds are serial underachievers and have been doing so for an extended period of years.

There seems to be a naïve trust in large scale investment funds which is not justified by the level of return on investment.

Why, when these funds are performing so badly, do people continue to stand by and watch their money underachieve?

One of the driving forces behind this is the power of the branded organisation. Big names and large organisations promote confidence to the consumer with capital investment in promotion schemes to generate clients. This creates a follow-on effect whereby, the more consumers invest in a fund the more attractive the fund becomes to consumers seeking a secure investment. However, as the list below shows, the size of the fund is not always an indicator that it will perform successfully. If investors really researched the performance figures of these funds there would not be in excess of £18 billion sat stagnant in these pension funds. This concept is highly under-pinned by the number of big name pension providers in the top 10 worst performing billion pound funds.

“Abbey, HSBC, Lloyds TSB and Barclays all feature in the top 10 of worst performing billion pound funds available.”

3. 10 Worst Performing Billion Pound Pension Funds

1. **Abbey Equity**
£1270.4m
2. **Friends Provident UK Equity**
£1801.3m
3. **Scottish Life Managed**
£2203.6m
4. **Clerical Medical Balanced**
£2443.6m
5. **Phoenix Lf Exempt Managed**
£1396.5m
6. **Scottish Life Property**
£1122.5m
7. **HSBC Life (UK) Pen Balanced**
£1008.2m
8. **Lincoln Bal Managed 3**
£1093.6m
9. **Lloyds TSB Managed**
£3486.6m
10. **Barclays Life Managed 2**
£2239.5m

Cumulative Fund Total: £18,065 million

4. The Figures

Based on an average of the funds performance over a 5 year and 10 year period the worst performing billion pound fund was 'Abbey Equity'. The fund has over £1.2billion worth of investment trusted to it by pension savers yet it only manages to produce a 5 year gross return of 9.4%. To understand this in monetary terms an investment of £1,000 would procure a cumulative figure of £1,094 over the 5 years.

Similarly, self-proclaimed 'Pension Specialists', Scottish Life have two funds in the top 10 worst performing billion pound funds. The Royal London Group's 'Scottish Life Managed' fund holds over £2.2billion which produces a pathetic 5 year annual growth rate (AGR) of 1.9%. In monetary terms an investor trusting £1,000 in this fund over a 5 year period would see their investment grow by £19 annually. Unbelievably, this is not Scottish Life's worst performing fund over 5 years. Their 'Scottish Life Property' fund holding over £1.1billion accumulates a *negative* 5 year AGR figure of -3.4%.

"Over £18billion worth of investor capital has been plunged into these incompetently managed and under utilised funds alone."

The figures associated with the previous list continue to worsen over a 10 year period with negative AGR (%) being applied to many of these billion pound funds. It is staggering that these big firms are able to perform so badly and yet continue to hold a strong position in the pensions market.

A useful indicator of how well a fund is performing is its **peer rating**. This is a ranking based on its performance in relation to other funds in its category. It is a telling sign that almost all these billion pound funds are ranked below average when compared to their peers. 'Clerical Medical Balanced' has one of the largest pension funds available with over £2.4 billion. However, despite this it falls down against its peers ranking 32/38 over a 5 year period and 15/16 over a 10 year period. It is disturbing to think that a large percentage of the cumulative figure for this category is invested in one of the worst performing pensions in the market. Clerical Medical possibly shows the worst financial competitive activity but other big brands such as HSBC also suffer from this. In one of the biggest categories of pension funds 'HSBC Life (UK) Pen Balanced' which holds a total of £1,008.2 million is ranked only 103/133 based on its 5 year performance and 35/74 when considering its 10 year performance.

With figures like these it is difficult to understand why consumers are willing to keep their money in funds which are being dramatically out performed by their peers. Pension investors holding investments in this huge fund should not be subject to such poor performance and should be made aware of the options that are available to them in order to improve their long term investment prospects.

5. The Banks...

Abbey, HSBC, Lloyds TSB and Barclays all feature in the top 10 of worst performing billion pound funds available. This is a telling statistic which should highlight the fact that banks do not always provide the quality service which is often associated with their brand. It is difficult to understand where consumers acquire this false sense of confidence which seems to be attached to banks providing these terrible pension funds.

Perhaps without the brand recognition which these funds have, consumers would have moved their pensions to better performing funds and these banks would not have such a significant proportion of the pension market's capital investment. Using performance figures as a guide the funds provided by Abbey, HSBC, Lloyds TSB and Barclays would not be considered a secure or lucrative pension scheme in the slightest.

6. Summary

It is difficult to understand the consumer perception of the pension funds market. A large majority of the market is suffering from investors remaining loyal to their current pension schemes which seem to perform badly on an annual basis.

Because of this companies seem to be able to “get away with” pathetic performance returns and still keep the fees rolling in from these funds.

We can look at the pensions market from a different perspective by considering it in terms of normal consumer behaviour. For example, people are very cautious when purchasing holidays, cars and televisions. A consumer wouldn't continue to visit a holiday resort year after year if they were constantly dissatisfied by the service they received there.

This is the attitude that people should be taking in relation to their pension funds. If it is not producing sizeable returns which is in line with expectations and alternatives then based on the consumer behaviour approach you should transfer you investment into a more profitable scheme.

The site www.howmuchdoineedto retire.co.uk will help set you up with advice so you can gain an understanding of your current position, how your fund is performing and the options available to you. With specialist help you can drastically improve your investment potential.

