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## 10 pension funds to cast aside

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**PENSIONS:** These funds gave consistent poor performance over 10 years, yet they each have more than GBP1bn of our retirement savings. If you're in one, it's time to find a new home for your pension

Analysis of the performance history of UK pension funds with over GBP1bn invested reveals that over GBP18bn of investors' money is languishing in heavily underperforming funds. This woeful underperformance cannot be explained away as a temporary 'dip', but points to sustained lacklustre performance from some of the top names in pensions.

The research, carried out by financial information analysts, [www.howmuchdoineedto retire.co.uk](http://www.howmuchdoineedto retire.co.uk), looked at funds with GBP1bn or more invested over the last 10 years and identified the top 10 worst performing pension funds in this category.

Based on an average of the fund's performance over a five-year and 10-year period, the worst performing billion pound fund was Abbey Equity. The fund has over GBP1.2bn-worth of investment entrusted to it by pension savers, yet it only managed to produce a five-year gross return of 9.4 per cent. In monetary terms, this means an investment of GBP1,000 in Abbey Equity would have grown to just GBP1,094 over the five years.

Similarly, Scottish Life has two funds in the top 10 worst performing billion pound funds. The Royal London Group's Scottish Life Managed fund holds over GBP2.2bn, which produced a five-year annual growth rate (AGR) of just 1.9 per cent. An investor putting GBP1,000 in this fund over a five-year period would have seen their investment grow to only GBP1,098. However, the Scottish Life Property fund, holding over GBP1.1bn, accumulated a negative five-year AGR figure of -3.4 per cent.

The figures continue to worsen over a 10-year period with negative annual growth rate being applied to many of these billion pound funds.

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 is one of the largest pension funds at over GBP2.4bn. However, despite this, it falls down against its peers ranking 32/38 over a five-year period and 15/16 over a 10-year period.

In one of the biggest categories of pension funds, HSBC Life (UK) Pen Balanced, which holds a total of GBP1,008.2m, is ranked only 103/133, based on its five-year performance and 35/74 when considering its 10-year performance.



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Matthew Morris of [www.howmuchdoineedtoire.co.uk](http://www.howmuchdoineedtoire.co.uk) says: "These aren't funds that have simply dipped or had a bad year or two; they fall down on virtually every benchmark. 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 - if these were football teams they would have been relegated by now.

"People would be well advised to act to find out exactly how their pension pot has performed and be prepared to act if they aren't happy with what they find to ensure their retirement savings will be fit for purpose when the time comes.

"With figures like these it is difficult to understand why consumers are willing to keep their money in funds which are being dramatically outperformed by their peers."

#### 10 BIG BAD PENSION FUNDS

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10 worst performing pension funds

(> GBP1bn fund total)

Size (1)

5 year performance

10 year performance

Gross return % (2)

|Abbey Equity|GBP1,270.4m|9.4|100/159|1.8|-12.2|61/86|-1.3|

|Friends Provident UK Equity|GBP1,801.3m|9.3|102/159|1.8|-10.6|51/86|-1.1|

|Scottish Life Managed|GBP2,203.6m|9.8|116/133|1.9|-1.4|57/74|-0.1|

|Clerical Medical Balanced|GBP2,443.6m|7.4|32/38|1.4|6.5|15/16|0.6|

|Phoenix Life Exempt Managed|GBP1,396.5m|11.4|112/133|2.2|0|52/74|0|

|Scottish Life Property|GBP1,122.5m|-15.9|34/43|-3.4|37.4|23/32|3.2|

|HSBC Life (UK) Pension Balanced|GBP1,008.2m|12.8|103/133|2.4|6.4|35/74|0.6|

|Lincoln Balanced Managed|GBP1,093.6m|14.3|95/133|2.7|5.3|37/74|0.5|

|Lloyds TSB Managed|GBP3,486.6m|16.5|77/133|3.1|4|43/74|0.4|

|Barclays Life Managed|GBP2,239.5m|14.7|91/133|2.8|8.8|29/74|0.9|

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Notes: (1) Total size of the fund, (2) Total percentage return of the fund over the relevant period, (3) The performance out of all funds in the same sector over the relevant period, (4) The average annual percentage return per year over the relevant period.