

UK structured products past performance: facts and analysis

'When the facts change, I change my views. What do you do?'

Despite some criticisms, from some commentators, in some quarters, in the past, detailed analysis of the performance of maturing structured products in recent years highlights the potential virtues, merits and efficacy of investors including structured products in portfolios.

Matured structured products performance over the last year: Jan 2018 – Dec 2018

StructuredProductReview's annual review of structured products which matured in 2018 showed that 358 of the 381 products which matured delivered positive returns for investors. None of the products which matured in 2018 delivered a loss.

It is also interesting to compare the performance of maturing structured products to mutual fund performance in 2018:

Retail structured products	Mutual funds
381 retail structured products matured in 2018	2,592 mutual funds in the UK Investment Association universe
No maturing structured products created a loss for investors	2,377 (c.92%) funds produced a negative return in 2018
358 (c.94%) generated positive returns, with an average return of 6.33% p.a.	202 (c.8%) funds produced a positive return
The average return of the top quartile products was 9.25% p.a.	Only 3% of funds delivered a return of more than 2%
Just 23 products (c.6%) returned capital only	13 (c.0.5%) funds produced a return of exactly zero

Source: StructuredProductReview

Source: Fundsmith

The above statistics do not compare apples with apples, as the mutual fund performance is looked at over just the one year, while many of the structured products that matured over the year will have run for longer than just one year. However, the main point is that 2018 was clearly a challenging year for mutual funds (after a long period of positive returns, which served many investors well), while it was another strong year for structured products, as part of a trend that has been developing, following significant improvements in the sector over the last decade.

Matured structured products performance over the last 3 years: Jan 2016 – Dec 2018

Independent research specialist Future Value Consultants (FVC) reviewed all structured products which matured over the last 3 years.

927 structured products matured between January 2016 and December 2018
The average annualised return of all products combined was 6.77%
The average annualised return of the capital-at-risk products was 7.45%
No maturing structured products created a loss for investors

Source: Future Value Consultants

Matured structured products performance over the last 10 years: Jan 2009 – Dec 2018

Most recently, StructuredProductReview reviewed all structured products which were launched and matured over the last 10 years:

3670 structured products matured between January 2008 and December 2018
3613 (98.45%) generated positive returns or repaid capital: with an average return of 6.23% p.a.
The average return of all maturing capital-at-risk products was 7.9% p.a.
The average return of all maturing capital-at-risk kick-out products was 8.55% p.a.
Only 57 (1.55%) maturing structured products created a loss for investors
Only 5 of these products were single index, linked solely to the FTSE 100
The average duration of all maturing structured products was 3.78 years

Source: StructuredProductReview

These past performance facts evidence the potential virtues, merits and efficacy of investors including structured products in diversified and balanced portfolios. In fact, particularly in a more challenging market environment, it may be hard to identify investment funds or products more likely to deliver strong positive returns than 'best of breed' structured products, especially those which are designed to generate positive returns without requiring the stock market to rise, with a defined level of protection if the stock market falls.