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Investing

UK shares trail as Europe booms

Philip Scott, This is Money

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The UK stock market has been one of the poorest performing in the European Union over the past five years, having risen by just 55% - less than half the EU average of 118%.

The figures, collated by Halifax bank, show average returns of 9% a year for London shares compared with 17% for EU countries.

Only Italy, which this month slipped behind Spain in terms of GDP per head - delivered a worse result after its [equities](#) achieved just 42% growth since April 2003.

In contrast the best performing market has been Bulgaria's after achieving massive growth of 352% (35% a year) – more than three times the EU average and six times greater than the growth of UK stock prices. Eight Eastern Europe countries make up the top ten - Lithuania was second with 33% annual average growth, followed by Romania (32%).

Martin Ellis, chief economist at Halifax, says: 'The top performing stock markets over the past five years are primarily the newest members to the European Union.

'These countries have clearly benefited from greater capital flows, especially foreign direct investment and the further integration of their financial markets within the EU. This has boosted share prices substantially.'

Luxembourg recorded the fastest rate of growth among EU countries based outside Eastern Europe with 263% or 29% a year.

Since 2003 the average growth in EU share prices compares favourably with other major global financial markets. In the US, the Dow Jones Industrial Average rose by less than half the growth rate recorded among EU indices, with just 51%.

The EU also outperformed the Australian All Ordinaries Index, up 90% and the Japanese Nikkei 225 index, up 77% but Hong Kong's Hang Seng share index experienced substantially stronger gains, after posting growth of 195%.

Recent, short-term performance highlights the volatility of markets, and especially for shares in emerging European economies. In the past 12 months, share prices have fallen by an average of 16% across EU member states. Only Slovakia and Luxembourg, with 13% and 5% respectively, have experienced growth.

At the other end of the scale, Estonia recorded the sharpest decline in stock prices since April 2007, after plummeting by 34%. It is followed by Cyprus, down 26%, and Ireland, down 25%. UK stock prices have fallen by 6% over the same period.

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With the aftershocks of the US **subprime** crisis still being felt in the financial markets, share prices in EU countries fell by an average of 14% through the first four months of this year.



Sofia, Bulgaria

While Bulgaria tops the tables over five years, over the first four months of 2008, it is the worst performer, after falling 36%, since the start of the year.

Over the past five years until the end of April the best performing Europe ex-UK fund has been Neptune European Opportunities, which has posted growth of 120%. In second and third place are JP Morgan European Dynamic and SVM Continental Europe, up 96% and 92% respectively – the average portfolio has achieved just 63% for the period.

The worst performing fund is Aberdeen European Growth, which returned just 44% over the five year term to its investors.

Experts' favourite funds

Darius McDermott, of Chelsea Financial Services, an **independent financial adviser**, rates [Resolution Argonaut European Income](#) for cautious investors. For medium risk takers, he likes [Neptune European Opportunities](#) and for the serious risk taker he recommends the [Jupiter Emerging European Opportunities](#) portfolio, which focuses on the developing nations of Europe as well as Russia.

Peter Chadborn, of CBK Colchester, another adviser, rates [Artemis European](#)

[Growth](#) for novices, [Fidelity European Opportunities](#) for intermediate investors and [Gartmore European Selected Opportunities](#) for the more adventurous.

Which European countries do you think will perform best over the next 12 months - vote in our [poll](#).

Bottom ten performing EU Stock markets

Country	5yr% Change	5 yrs %pa
Italy	42%	7%
UK	55%	9%
France	69%	11%
Finland	73%	12%
Netherlands	79%	12%
Sweden	89%	14%
Ireland	98%	15%
Spain	113%	16%
Portugal	126%	18%
Belgium	126%	18%
EU Average	118%	17%
Source: Datastream		

Top Ten performing EU Stock markets

Country	5yr% Change	5 yrs %pa
Bulgaria	352%	35%
Lithuania	309%	33%
Romania	299%	32%
Luxembourg	263%	29%
Austria	247%	28%
Poland	227%	27%
Czech Republic	209%	25%
Hungary	177%	23%
Slovakia	176%	23%
Estonia	170%	22%
EU Average	118%	17%
Source: Datastream		

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