

PERIOD ENDING – 31 MAY 2020

Managed Funds

Fund name	Size	1 year		3 years		5 years	
	\$m	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
GROWTH							
IIOF MultiMix Growth Trust	618	4.2	1	7.1	1	6.7	1
Vanguard High Growth Index Fund	2949	2.3	3	6.2	2	5.9	3
Vanguard Growth Index Fund	5762	3.2	2	5.9	3	5.7	5
Fiducian Growth Fund	135	1.5	4	5.7	4	6.1	2
Fiducian Ultra Growth Fund	185	0.3	5	5.0	5	5.8	4
BT Multi-Manager High Growth Fund	11	-1.3	9	5.0	6	5.1	7
MLC Wholesale Horizon 6 Share	242	-1.9	12	4.9	7	5.2	6
BT Multi-Manager Growth Fund	40	-1.1	8	4.5	8	4.7	8
MLC Wholesale Horizon 5 Growth	503	-1.5	10	4.2	9	4.4	10
Pendal Active High Growth Fund	20	-2.1	15	4.0	10		
Sector average	599	-0.9		4.0		4.2	
BALANCED							
IIOF MultiMix Balanced Growth Trust	720	7.7	1	7.2	1	6.6	1
BlackRock Tactical Growth Fund	1769	4.4	3	6.7	2	6.2	3
SSGA Passive Balanced Trust	475	1.6	8	5.7	3	4.3	12
Fiducian Balanced Fund	81	0.5	11	5.6	4	5.4	5
Vanguard Balanced Index Fund	336	2.0	7	5.6	5	5.8	4
Ausbil Balanced Fund	5129	4.0	4	5.5	6	5.3	6
Affluence Investment Fund	110	-0.9	20	5.2	7	4.6	8
Vanguard Managed Payout Fund	19	3.6	5	4.8	8	6.6	2
Responsible Investment Leaders Bal	28	0.5	12	4.6	9		
Zurich Managed Growth Fund	936	0.7	10	4.6	10		
Sector average	774	0.5		4.0		4.2	

Note: The performance figures for diversified funds are net of fees, performance figures for sector specific funds are adjusted for fees.

Fund name	Size	1 year		3 years		5 years	
	\$m	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
CAPITAL STABLE							
Macquarie Capital Stable Fund	31	8.7	4	6.1	1	4.9	3
IIOF MultiMix Moderate Trust	576	3.0	2	5.3	2	5.2	1
Vanguard Conservative Index Fund	2486	4.3	3	4.9	3	4.7	4
IIOF MultiMix Conservative Trust	661	3.2	5	4.4	4	4.4	5
Fiducian Capital Stable Fund	303	2.7	10	4.1	5	4.0	7
Dimensional World Allocation 50/50 Trust	510	0.9	8	3.9	6	4.3	6
Perpetual Conservative Growth Fund	335	1.7	6	3.8	7	3.7	8
UBS Tactical Beta Fund - Conservative	93	2.2	11	3.6	8	3.2	12
BT Multi-Manager Conservative Fund	33	0.6	14	3.3	9	3.2	11
Allan Gray Australia Stable Fund	324	0.1	13	3.3	10	5.1	2
Sector average	391	1.5		3.5		3.7	
CREDIT							
Metrics Credit Partners Div. Aust. Senior Loan Fund	2313	4.8	1	5.1	1	4.9	1
VanEck Vectors Australian Corporate Bond Plus ETF	229	3.3	7	4.9	2		
Pendal Enhanced Credit Fund	409	4.3	2	4.8	3	4.5	3
Vanguard Australian Corp Fixed Interest Index	169	3.6	5	4.7	4	4.5	4
Vanguard Aust Corporate Fixed Interest Index ETF	327	3.4	6	4.4	5		
Yarra Enhanced Income Fund	76	-0.1	23	3.9	6	4.8	2
PIMCO Global Credit Fund	1208	3.8	4	3.4	7	4.0	5
PIMCO Australian Short-Term Bond Fund	327	2.9	8	3.4	8	3.2	13
Franklin Australian Absolute Return Bond	543	2.3	10	3.4	9	3.6	8
Janus Henderson Diversified Credit Fund	544	2.2	11	3.0	10	3.6	9
Sector average	771	1.9		3.0		3.4	

Source: Rainmaker Information



Dial tones

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Could MMT save us from the virus?

The hottest and most important economic topic being debated in recent weeks is Modern Monetary Theory, or MMT.

What was once a fringe theory has been brought closer to the mainstream. This was not through the force and logic of its arguments (although these exist), but by the failure of other economic orthodoxies, particularly the austerity programs and budget surpluses that were imposed following the Global Financial Crisis.

The fear was that massive budget deficits and the resulting debt – even when that debt was bought by the central bank – would drive inflation and increase interest rates by crowding out private debt. It didn't happen. What happened instead was that interest rates fell to near zero and there was massive asset price inflation. Consumer inflation was non-existent, as was real wages growth. Yet still governments (hello "Back in Black") thought that having a budget surplus was the way to build a strong economy.

And now, this. The immediate response to the COVID-19 crisis was massive budget deficits with central banks stepping in to purchase of large amounts of new government debt that is, in effect, funding the deficits. Hmmm, something changed and quickly. Where did the government get the money, how will it be paid back,

by whom, with what and why haven't interest rates increased?

MMT has the answers to these questions.

Its major spokesperson, Stephanie Kelton, just released a book on the topic called "The Deficit Myth" which at the time of writing was number 10 on the *New York Times* bestseller list (nonfiction).

But like a lot of theories that have been formulated, researched and thought about deeply, it gets criticised on a regular basis by people who ... just like to criticise?

Alan Kohler from the *ABC* was recently attacked for treating MMT seriously by no less than the *Australian Financial Review* and by Liberal MP Tim Wilson.

Wilson tweeted: "Quick question: is that how @AlanKohler runs his personal finances? Doesn't worry about deficits and just increases his access to cash through personal loans?"

Unknowingly, Wilson unearthed the core of the misunderstanding about MMT, and that is that Alan Kohler does have to worry about these things. He's a person and cannot create his own money (at least not in the sense that anyone would accept it as payment for anything). It's the federal government that does not have to worry. Why? Because the federal govern-

ment creates money and, in doing so can pay for goods, services without the need to collect money in the form of taxes or debt instruments first. Alan Kohler can't do that.

If the government doesn't need taxation to spend on things, what does it need taxation for? In fact, it's a way of withdrawing money from the economy (just as rebates add money to the economy). Withdrawing money from the economy slows the economy, so increasing taxation slows the economy. Another way of slowing the economy is to have a budget surplus because that reduces the amount of money in the private sector.

The main criticism of MMT – that I can see – is the risk of inflation. The fear in this scenario is that the government won't be able to pull the chain on popular spending when the time comes. That is, frankly, a weird argument.

To quote AMP chief economist Shane Oliver in the *AFR*: "On balance I would prefer to avoid going down the MMT path because I am sceptical about politicians. It is hard to know where it would end."

That is some heavy scepticism. I guess it means he would go down the MMT path if he wasn't sceptical. So the answer is not to ignore MMT, it is to work for a political system where politicians can be trusted to do the right thing. **FS**