PERIOD ENDING – 31 JANUARY 2021

Managed Funds

Fund name	Size $m	1 year % p.a.	1 year Rank	3 years % p.a.	3 years Rank	5 years % p.a.	5 years Rank
GROWTH							
Vanguard Diversified High Growth Index ETF	660	2.4	7	10.4	1		
Vanguard Diversified Growth Index ETF	344	2.6	4	9.0	2		
MLC Horizon 7 Accelerated Growth	109	1.4	12	8.7	3	13.3	1
Fiducian Ultra Growth Fund	233	6.9	1	8.3	4	10.7	2
Vanguard High Growth Index Fund	3575	2.4	8	8.1	5	10.2	4
IOOF MultiMix Growth Trust	652	3.0	2	8.0	6	9.7	6
Fiducian Growth Fund	176	2.8	3	7.9	7	9.9	5
Vanguard Growth Index Fund	6148	2.6	5	7.4	8	8.9	9
MLC Wholesale Horizon 6 Share	287	1.0	14	7.2	9	10.4	3
MLC Wholesale Index Plus Growth	126	1.0	13	7.1	10		
Sector average	**541**	**0.5**		**6.0**		**8.3**	
BALANCED							
Macquarie Balanced Growth Fund	774	6.6	3	8.2	1	9.6	1
Ausbil Balanced Fund	127	1.1	21	7.6	2	9.5	2
IOOF MultiMix Balanced Growth Trust	1841	3.3	6	7.5	3	8.6	6
Fiducian Balanced Fund	446	3.0	7	7.5	4	9.0	4
BlackRock Global Allocation Fund (Aust)	574	14.2	1	7.3	5	9.1	3
BlackRock Tactical Growth Fund	516	1.9	17	7.2	6	7.7	13
SSGA Passive Balanced Trust	88	-1.1	36	7.0	7	8.2	9
Vanguard Diversified Balanced Index ETF	342	2.6	11	6.8	8		
Vanguard Balanced Index Fund	6060	2.6	12	6.8	9	7.5	16
Responsible Investment Leaders Bal	437	2.8	9	6.6	10		15
Sector average	**689**	**1.7**		**5.2**		**7.2**	

Fund name	Size $m	1 year % p.a.	1 year Rank	3 years % p.a.	3 years Rank	5 years % p.a.	5 years Rank
CAPITAL STABLE							
Macquarie Capital Stable Fund	28	8.0	1	7.0	1	6.8	3
IOOF MultiMix Moderate Trust	584	2.2	8	6.2	2	6.9	2
Vanguard Diversified Conservative Index ETF	149	2.4	5	5.7	3		
Vanguard Conservative Index Fund	2837	2.4	6	5.7	4	5.9	6
MLC Index Plus Conservative Growth	210	1.8	11	5.3	5		
IOOF MultiMix Conservative Trust	650	2.9	2	5.2	6	5.6	7
Dimensional World Allocation 50/50 Trust	608	2.1	9	5.1	7	7.1	1
Fiducian Capital Stable Fund	352	2.4	7	5.1	8	5.4	9
UBS Tactical Beta Fund - Conservative	84	2.7	4	4.9	9	5.5	8
BlackRock Diversified ESG Stable Fund	59	-0.1	22	4.7	10	5.3	10
Sector average	**413**	**1.2**		**4.2**		**5.0**	
CREDIT							
MCP Real Estate Debt Fund	697	7.8	2	8.7	1		
MCP Secured Private Debt Fund II	597	7.7	3	8.5	2		
Legg Mason Brandywine Global Inc. Opt. Fund	104	12.5	1	6.9	3		
VanEck Vectors Aust. Corp. Bond Plus ETF	169	3.7	9	6.1	4		
Pendal Enhanced Credit Fund	410	3.4	10	5.4	5	4.8	8
Vanguard Australian Corp Fixed Interest Index	234	3.1	13	5.4	6	4.9	6
Vanguard International Credit Securities Index	738	2.7	17	5.2	7	5.2	3
Vanguard Aust Corp. Fixed Interest Index ETF	474	3.2	11	5.1	8		
Metrics Credit Div. Aust. Sen. Loan Fund	543	4.5	6	5.1	9	4.9	4
Vanguard Int. Credit Sec. Index (H) ETF	544	2.7	16	4.9	10	4.9	5
Sector average	**682**	**3.3**		**4.2**		**4.1**	

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

Source: Rainmaker Information

The future of managed funds distribution

Dial tones

By John Dyall
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A friend of mine works in business development. His role means he visits a lot of different funds managers.

Fully one third of these fund managers said they were seriously looking at launching exchange traded products. And that's just the ones that said it.

Firstly, why would they want to get into the world of ETPs? There is a large cost associated with setting up an ETP. If they don't hit a certain size, they will be a drain on company revenues.

The move by Magellan last year to consolidate its main retail offering was a massive signal to the market that the future belonged to ETPs and a fascinating real-world experiment. One of the funds is a closed end listed investment trust and the other an open hybrid of an ETP and an unlisted unit trust.

It boosted the size of the Australian ETP market by around $13 billion and created the largest ETP in Australia. Some people have queried whether its funds should be counted in the ETP basket or the unlisted unit trust basket, or what proportion should be put in each. This is a great question that cannot be answered.

Eventually the answer will be known. If future transactions take place on the stock market, then they are ETPs, if off-market, they are unlisted unit trusts.

While Magellan might not have intended it as such, it is conducting a real-world experiment, the results of which every retail investor, funds manager, platform and financial adviser, should be paying extremely close attention to.

But Magellan and other major fund managers, like Vanguard, know the answer already.

Once you take out market movements raising the tide on all financial assets, unlisted unit trusts are stagnant for the most part while ETPs are growing somewhere between 30 and 50% per annum.

Take Vanguard as an example. At 2020 end it had around $26 billion of assets in ETPs and $92 billion in unlisted unit trusts, so that's 22% in ETPs. Total 12-month growth based on net flows was 9%. In ETPs the growth was 29% while for unlisted unit trusts it was 5%. Breaking down the numbers, more than half of the growth in total assets (58%) came from ETPs. And this is increasing. Over three years 45% of growth came from ETPs and 55% from unlisted unit trusts.

Looking at the world of diversified investment options, the results are stark. By my calculations, the total market of these funds dropped 1% in the 12 months to December and increased by 8% over three years. But, if you remove Vanguard from those calculations the market declined 5% over 12 months and 11% over three years.

Why are diversified options doing so badly from a funds flow perspective? Diversified options were usually products aligned with the licensee in some way. While their marketing was all about being "best of breed" and harnessing the power of investment experts, their real purpose from an investment perspective was (at best) index performance at active fees with the manager capturing the difference between what they were charged by the underlying manager (through mandates) and what they could sell the product at.

With the decline of the super licensees and the rise of independent financial advisers, the incentive to sell these products to clients was lessened. Instead, advisers often used Vanguard products as the core of a model portfolio (at low cost) while adding on satellite funds (at higher cost). This increased the adviser value proposition while not increasing overall costs to clients.

Platforms have always been the choice of advisers. With ETPs clients can go direct and investors have enough experience with CommSec to be able to manage their own investments. This is another big drawcard for managers looking for growth in their future.

The world is going to look very different in five years. It's time fund managers change with it. **FS**