PERIOD ENDING – 31 MARCH 2019

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							
MLC Wholesale Horizon 6 Share Portfolio	240	8.6	3	11.2	1	8.9	6
BT Multi-Manager High Growth Fund	17	9.2	2	11.0	2	8.2	8
Vanguard High Growth Index Fund	2277	9.4	1	10.7	3	9.3	4
Perpetual Split Growth Fund	46	8.1	7	10.6	4	9.8	2
IOOF MultiMix Growth Trust	632	6.8	10	10.2	5	9.1	5
Fiducian Growth Fund	123	8.6	4	10.2	6	9.4	3
Fiducian Ultra Growth Fund	177	4.0	17	10.1	7	10.5	1
BT Multi-Manager Growth Fund	53	8.4	6	10.0	8	7.3	14
MLC Wholesale Horizon 5 Growth Portfolio	497	7.5	9	9.3	9	7.7	9
Optimix High Growth Fund	251	6.6	11	9.3	10	7.4	13
Sector average	**853**	**7.0**		**9.3**		**7.9**	
BALANCED							
BlackRock Scientific WS Diversified Growth Fund	469	8.9	4	10.2	1	8.4	4
Ausbil Balanced Fund	118	8.4	6	10.0	2	7.7	8
Macquarie Balanced Growth Fund	586	7.5	10	9.5	3	7.7	7
SSGA Passive Balanced Trust	61	11.0	1	9.3	4	8.6	2
Dimensional World Allocation 70/30 Trust	607	6.9	15	9.3	5	7.9	6
Fiducian Balanced Fund	294	8.1	7	9.2	6	8.6	3
IOOF MultiMix Balanced Growth Trust	1780	6.8	16	9.1	7	8.1	5
BT Multi-Manager Balanced Fund	107	7.9	8	8.9	8	6.7	13
Zurich Managed Growth Fund	93	7.0	12	8.7	9	7.4	9
Vanguard Managed Payout Fund	22	9.6	2	8.6	10		
Sector average	**693**	**5.9**		**7.4**		**6.7**	

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							
IOOF MultiMix Moderate Trust	549	7.0	2	7.7	1	6.9	1
Dimensional World Allocation 50/50 Trust	327	6.1	6	7.4	2	6.7	2
Allan Gray Australia Stable Fund	334	4.6	17	7.2	3	6.4	4
BlackRock Scientific WS Diversified Stable	57	7.0	1	6.4	4	6.0	6
MLC Inflation Plus - Assertive Portfolio	417	4.2	20	6.4	5	6.7	3
MLC Horizon 3 Conservative Growth Portfolio	989	5.5	11	6.4	6	5.7	7
Perpetual Diversified Growth Fund	119	6.1	5	6.1	7	5.4	11
IOOF MultiMix Conservative Trust	727	5.7	9	5.9	8	5.5	8
AMS Moderately Conservative Fund	247	2.7	24	5.9	9		
Optimix Moderate Fund	248	5.3	13	5.9	10	5.5	9
Sector average	**343**	**4.9**		**5.3**		**5.2**	
CREDIT							
Bentham High Yield Fund	102	4.6	6	8.6	1	6.3	2
Yarra Enhanced Income Fund	74	6.8	1	7.6	2	5.9	3
Bentham Syndicated Loan Fund	3246	1.9	19	7.3	3	5.8	4
Bentham Global Income Fund	169	0.8	23	7.3	4	5.1	7
PIMCO Capital Securities Fund	71	1.1	22	6.8	5		
INVESCO Senior Secured Income Fund	30	3.1	14	6.6	6	5.1	9
Alexander Credit Opportunities Fund	223	5.7	3	6.3	7	6.9	1
PIMCO Income Fund	465	3.6	11	6.1	8		
UBS Income Solution Fund	543	3.3	13	5.4	9	4.3	14
Supervised Global Income Fund	544	1.7	20	5.1	10	5.1	10
Sector average	**761**	**3.5**		**5.2**		**4.8**	

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

Source: Rainmaker Information

Dial tones

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How to really defend your portfolio

No-one in their right mind would invest purely in a single asset class. Most people are invested in what is called a "balanced" portfolio that contains 60-70% of their assets in equities.

"Balanced" is one of those words that create a feeling of comfort and lack of danger. It's a bit like the way "gaming" has replaced "gambling" or "climate change" took the place of "global warming". The effect is the same no matter what you call it. The perception, however, is completely different.

So people invested in "balanced" funds should be able to assume all their risks are equally weighted, in the way a seesaw is balanced when two children are on either side. When one child goes up, the other child goes down and vice versa. That's balance.

The truth is that in a "balanced" portfolio equities are much, much heavier than the other side of the portfolio. The game is fun while equities are obeying the rules, which is to not make any sudden moves. But as soon as equities does anything unexpected, the other side goes crashing to the ground and it all ends in tears.

Knowing this, many financial advisers and investors reduce the amount of equity in their portfolios and instead invest in such things as bank hybrids, high yield debt and listed property. After all they have a much higher yield than cash or term deposits. Unfortunately they have a lot of equities characteristics, particularly during market corrections when they are needed the most.

Here are some examples from recent history. Before the Global Financial Crisis, Australian equities and listed property had a three-year correlation of around 30%. Not so much. You could even say it was defensive. But during and since the crisis the correlation has been as high as 80% and is currently around 60%.

High yield debt (which used to be called junk bonds until Michael Milken went to jail and the name was changed) has had a correlation against equities as low as 10% but is generally in the 40% range. In moments of crisis, however, the correlation shoots up to around 80%.

So what is genuinely defensive? There's a lot of talk at the moment from funds managers about products with returns that are uncorrelated with equities returns, such as liquid alts and hedge funds. I've got nothing against these products but keep in mind that they tend to be dependent on manager skill. Are they defensive? Not really. They are just uncorrelated. They have volatility and will have good years and bad years.

Defensive has to mean it provides some sort of defence when things turn bad, or to be more specific when equities sustain major losses. The trouble with some assets is they appear defensive during the good times and then reveal their hidden equities characteristics during the bad.

There is one asset class that is genuinely defensive, it just happens to be the asset class currently with the lowest yield and one which is notoriously difficult to make money from if you're an active fund manager (so you can't charge normal active fees), so most managers either specialise in credit (which is low duration) or benchmark their active approaches against cash (which is not comparative at all).

The asset class is government bonds. If you look back at the past 20 years of returns you will see that the average three-year correlation between Australian equities and the Bloomberg Ausbond Composite Index (which is dominated by government bonds) was -23%, with a high of 36% in 2015 and a low of -75% in 2013.

And just to show that it is defensive, Australian equities had their lowest three-year return at the end of February 2009 with a return of -7%pa. The return from bonds over the same period was 9.5%pa. That's defensive. FS