

PERIOD ENDING – 30 JUNE 2019

Managed Funds

Fund name	Size \$m	1 year		3 years		5 years	
		% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
GROWTH							
MLC Wholesale Horizon 6 Share Portfolio	240	9.4	2	12.7	1	9.8	6
Perpetual Split Growth Fund	48	8.7	4	11.9	2	10.4	2
BT Multi-Manager High Growth Fund	17	8.0	7	11.6	3	8.9	7
Vanguard High Growth Index Fund	2545	9.6	1	11.1	4	9.9	4
IOOF MultiMix Growth Trust	657	8.0	5	10.8	5	9.8	5
Fiducian Growth Fund	127	7.5	10	10.6	6	10.0	3
BT Multi-Manager Growth Fund	52	7.5	9	10.5	7	7.9	13
MLC Wholesale Horizon 5 Growth Portfolio	502	8.0	6	10.4	8	8.3	9
Pendal Active High Growth Fund	22	6.0	13	10.3	9		
Optimix High Growth Fund	2	7.1	11	9.9	10	8.1	11
Sector average	568	7.0		10.2		8.3	
BALANCED							
BlackRock Scientific WS Diversified Growth Fund	469	9.4	2	10.6	1	8.6	3
Ausbil Balanced Fund	118	7.2	12	9.9	2	7.9	8
Macquarie Balanced Growth Fund	586	7.6	7	9.6	3	8.0	7
IOOF MultiMix Balanced Growth Trust	1780	7.6	8	9.5	4	8.5	5
Dimensional World Allocation 70/30 Trust	607	7.1	13	9.3	5	8.1	6
SSGA Passive Balanced Trust	61	10.4	1	9.2	6	8.6	4
Fiducian Balanced Fund	294	7.5	9	9.2	7	8.8	2
Vanguard Managed Payout Fund	22	9.2	4	8.8	8		
Responsible Investment Leaders Bal	1110	7.5	10	8.7	9	9.7	1
Zurich Managed Growth Fund	93	6.7	15	8.6	10	7.6	9
Sector average	714	5.8		7.4		6.9	

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

Fund name	Size \$m	1 year		3 years		5 years	
		% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
CAPITAL STABLE							
IOOF MultiMix Moderate Trust	590	7.0	8	7.7	1	7.2	1
Dimensional World Allocation 50/50 Trust	389	6.7	9	7.5	2	6.9	3
MLC Horizon 3 Conservative Growth Portfolio	1001	5.8	18	6.9	3	5.9	7
BlackRock Scientific WS Diversified Stable	57	8.7	1	6.9	4	6.3	4
MLC Inflation Plus - Assertive Portfolio	402	6.7	10	6.9	5	7.2	2
Allan Gray Australia Stable Fund	347	3.5	26	6.5	6	6.2	6
Optimix Moderate Fund	5	6.3	13	6.2	7	5.8	8
BlackRock Scientific Diversified Stable	56	8.0	3	6.2	8	5.6	11
Macquarie Capital Stable Fund	13	7.0	7	6.1	9	4.9	17
Pendal Active Moderate Fund	204	4.7	21	6.1	10		
Sector average	331	5.9		5.5		5.3	
CREDIT							
Bentham High Yield Fund	105	6.7	5	8.1	1	6.4	1
PIMCO Capital Securities Fund	85	7.4	3	7.8	2		
Yarra Enhanced Income Fund	75	6.7	6	7.3	3	5.7	2
Bentham Global Income Fund	169	1.0	19	6.9	4	4.8	10
Bentham Syndicated Loan Fund	3193	2.3	16	6.5	5	5.7	3
INVESCO Senior Secured Income Fund	35	3.5	13	5.9	6	5.1	6
Loomis Sayles Credit Opportunities Fund	940	5.3	8	5.5	7	5.1	5
UBS Income Solution Fund	249	3.9	11	5.1	8	4.1	14
Supervised Global Income Fund	543	1.6	18	5.1	9	5.0	8
Vanguard Australian Corp Fixed Interest Index	544	7.8	2	4.9	10		
Sector average	899	4.8		5.4		4.8	

Source: Rainmaker Information



Dial tones

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The best vs. the worst: It's more nuanced than that

Amid the talk about which is the “best” super option and which is the “worst”, it’s worthwhile moving beyond simplistic labels towards a conversation that is both more nuanced and leads to better outcomes for investors.

This column is based on the monthly returns of a dataset of 37 MySuper options for the three-year period to the end of June 2019. Clearly this is a very specific period. Equities in general returned more than 11%pa and fixed interest more than 4%pa, so it was a period in which it would have been very hard to disappoint members.

The highest returning MySuper investment option was Hostplus MySuper Balanced with a return of 10.8%pa and a volatility of 4.3%pa (top third volatility). The lowest return (EISS Super MySuper Conservative Balanced) was 6.5%pa and a volatility of 3.2%pa (lowest volatility of the sample set). However, one was a “balanced” option and the other was “conservative” so the difference in returns during an equities bull market is understandable. It also reflects the difference in the average age of the member as older members generally have a more conservative profile.

Both options were highly correlated against equities. What you wouldn’t expect is for EISS

to have a higher correlation than Hostplus, yet it did. EISS also had one of the highest correlations against fixed interest, while Hostplus had one of the lowest.

What does this mean? Well, for a start, it tells you that Hostplus received a significant proportion of its returns from non-listed assets, but more on that later.

Investors care about loss of capital. Examining months of negative returns, EISS had a higher frequency of negative returns (11 out of 36 months compared with seven for Hostplus) but the size of each negative return was much smaller (0.5% versus 1% for Hostplus). Summing the negative returns, you get 5.9% for EISS versus 6.8% for Hostplus. That’s a significant amount and in keeping with what members would expect.

Two of the things I look for when assessing investment returns are skewness and kurtosis. Going back to university statistics, a normal distribution of returns (think of the classic bell shape) can be explained by two measures: the average return and the volatility of that return.

If the distributions are not normal then the investor should look at the information con-

tained in the skewness and kurtosis. Skewness is a measure of how distorted or skewed the distribution is to the left or the right. Negative skew means there are many small gains and a few large losses. With positive skew there are many small losses and a few large gains.

Kurtosis measures the values at the tail ends of the distribution. I think of it as how likely a surprise return will appear. They’re infrequent and unpredictable.

By and large the sample has negative skew and positive kurtosis. In our example EISS has slightly negative skew (it is in the top decile of skew) while Hostplus had highly negative skew.

If the investment option has greater negative skew than other funds and publicly traded assets, it is probably an indicator that the fund has a higher proportion of unlisted assets, such as property and infrastructure. These are valued less frequently and their true price can only be determined when they change hands.

Hostplus was middle of the road regarding kurtosis while EISS kurtosis was slightly less than normal. What this could mean is that future returns from EISS are less likely to surprise investors, either on the upside or the downside. **FS**