

PERIOD ENDING – 30 JUNE 2020

## Managed Funds

Fund name	Size \$m	1 year		3 years		5 years	
		% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
<b>AUSTRALIAN EQUITIES</b>							
Australian Unity Platypus Aust Equities	137	11.6	2	14.4	1	13.7	2
Hyperion Australian Growth Companies Fund	1,203	18.6	1	12.5	2	12.5	3
Bennelong Australian Equities Fund	562	7.1	5	12.1	3	12.3	4
Greencape Broadcap Fund	686	4.7	6	11.1	4	11.1	7
Bennelong Concentrated Aust Equities	863	9.0	3	10.7	5	15.5	1
Alphinity Sustainable Share Fund	152	-4.1	27	10.4	6	9.3	13
AMP Sustainable Share Fund	14	1.0	12	10.0	7	7.8	23
Greencape High Conviction Fund	380	3.0	9	9.8	8	9.6	11
AB Managed Volatility Equities Fund	964	-1.0	14	8.4	9	10.0	9
Aberdeen Standard Australian Equities Fund	46	-2.8	19	8.2	10	8.5	18
<b>Sector average</b>	<b>407</b>	<b>-6.4</b>		<b>4.6</b>		<b>6.5</b>	
<b>S&amp;P ASX 200 Accum Index</b>		<b>-7.7</b>		<b>5.2</b>		<b>6.0</b>	

## INTERNATIONAL EQUITIES

Zurich Concentrated Global Growth	29	15.4	7	21.7	1		
BetaShares Global Sustainability Leaders ETF	705	26.3	2	21.5	2		
Loftus Peak Global Disruption Fund	98	27.7	1	21.5	3		
T. Rowe Price Global Equity Fund	3,830	20.9	5	19.9	4	15.7	2
Franklin Global Growth Fund	301	24.4	3	19.0	5	16.0	1
Nikko AM Global Share Fund	99	11.0	18	17.2	6	13.6	4
Apostle Dundas Global Equity Fund	979	13.5	11	16.9	7	12.1	11
Evans and Partners International Fund	58	9.9	20	16.9	8	15.2	3
Zurich Unhedged Global Growth Share Fund	367	9.8	21	16.3	9	12.4	8
Zurich Global Growth Share Fund	198	10.0	19	16.2	10	12.4	7
<b>Sector average</b>	<b>663</b>	<b>4.6</b>		<b>5.3</b>		<b>10.6</b>	
<b>MSCI AC World ex AU Index</b>		<b>4.9</b>		<b>10.7</b>		<b>9.5</b>	

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

Source: Rainmaker Information

Fund name	Size \$m	1 year		3 years		5 years	
		% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
<b>COMBINED PROPERTY</b>							
Australian Unity Diversified Property Fund	297	13.8	1	15.1	1	17.2	1
Investa Commercial Property Fund	5,950	6.9	3	12.6	2	13.7	2
Lend Lease Aust Prime Property Industrial	1,089	12.3	2	12.3	3	11.5	4
Lend Lease Aust Prime Property Commercial	5,154	5.2	4	11.4	4	12.7	3
DEXUS Property Fund	10,284	-0.3	7	8.2	5	10.9	5
ISPT Core Fund	15,979	1.3	6	7.0	6	9.7	6
Resolution Cap. Global Prop. Sec. Series II	336	-4.2	9	6.7	7	7.2	12
AMP Listed Property Trusts Fund	117	-15.5	20	6.7	8	7.5	10
Australian Unity Property Income Fund	258	-4.0	8	6.3	9	9.1	7
Quay Global Real Estate Fund	165	-9.8	11	6.2	10	7.5	9
<b>Sector average</b>	<b>1,275</b>	<b>-14.4</b>		<b>2.4</b>		<b>5.1</b>	
<b>S&amp;P ASX200 A-REIT Index</b>		<b>-21.3</b>		<b>2.0</b>		<b>4.4</b>	

## FIXED INTEREST

Macquarie True Index Sovereign Bond Fund	261	4.2	39	6.2	1	5.1	12
Pendal Government Bond Fund	933	5.0	16	6.2	2	5.3	5
Macquarie Australian Fixed Interest Fund	209	5.0	18	6.1	3	5.4	3
Nikko AM Australian Bond Fund	184	4.6	28	6.1	4	5.2	8
Schroder Fixed Income Fund	2,354	4.8	26	6.0	5	4.9	25
Pendal Fixed Interest Fund	1,028	5.7	8	6.0	6	4.8	32
AMP Capital Wholesale Australian Bond Fund	971	4.5	30	5.9	7	5.1	9
CC JCB Active Bond Fund	707	4.5	31	5.9	8		
QIC Australian Fixed Interest Fund	1,595	4.8	27	5.9	9	5.1	13
Macquarie Enhanced Australian Fixed Interest	1,597	4.6	29	5.9	10	5.0	15
<b>Sector average</b>	<b>921</b>	<b>3.3</b>		<b>4.1</b>		<b>4.1</b>	
<b>Bloomberg Barclays Australia Breakeven</b>		<b>4.3</b>		<b>6.4</b>		<b>5.4</b>	

## What active managers should be managing

For the longest time financial advisers have used risk profiling to build portfolios.

They would ask their prospective clients a series of questions meant to indicate aversion to losses and appetite for high returns and then place them in one of five risk profiles.

And then the adviser would show the client a table of likely outcomes from each of the profiles, including things like expected returns and historic returns. As if the future would look exactly like the past.

Working for a licensee at the time, I produced these tables, but used historical volatility and expected returns to calculate the probabilities of these events happening. Were they useful? Only from a marketing perspective. They gave a false assurance of certainty, particularly when the results were published to two decimal places.

The underlying assumption in my calculations was that returns were “normally” distributed. That is, returns followed the classic bell-shaped curve that was defined by a mean (average) return and a standard deviation (volatility). If you divided it down the middle one side of the curve would be the mirror image of the other. Returns at the extreme ends of the curve (also known as the tails) were “extremely unlikely”.

And then when the “extremely unlikely” hap-

pened everyone breathed a sigh of relief and said: “Well at least that won’t happen again for a thousand years”. And then 10 years later it happened again, and then 10 years after that, and so on.

Clearly the tools we were using to describe reality were insufficient for the job at hand. Was there anything in our toolbox that could do the job? Well it just so happened there were two tools that helped explain what a distribution looked like that was sort of but not really normally distributed.

As Tony Montana might say: “Say hello to my little friends, skewness and kurtosis.” [Ed. Note: Really John? That was your best segue?]

And they can be your friends too, because they explain a lot, particularly in times when returns are distinctly non-normal. In fact, lately skewness and kurtosis have been doing a better job in explaining returns of your favourite actively managed funds than volatility.

The first thing to remember is that skewness and kurtosis are focused on the tails of the distribution, both to the extreme left and extreme right of the average. They are not “easy” concepts to understand, but they are worth thinking about.

Skew measures the frequency of returns above or below the average. The average return does not have to be made up of an equal number of returns that are less than the average and an

equal number of returns that are above the average. There can be a few large returns (above the average) and many smaller returns (below the average) that can give you the same average.

What I have seen lately are a lot of products with negative skew, that is, there are many smaller positive returns and a few large negative returns. This is to be expected since the benchmarks themselves show negative skew. But what was surprising is the relationship between outperformance and skew. If you take actively managed equities funds (both Australian and international) it is those funds with less negative skew than the benchmark that are most likely to outperform.

There’s a similar story with kurtosis, which measures the “fatness” of the tails. When high kurtosis is coupled with negative skewness it becomes more difficult to outperform the benchmark.

In the three years to June this year 20 funds out of 59 outperformed the benchmark (after fees). For skewness and kurtosis around two thirds of each were more normal than the benchmark.

Of the 20 funds that outperformed 19 had less skew than the benchmark, that’s 95%, which makes it almost a prerequisite. The funds with the lowest returns also had the highest kurtosis. Managers and investors should be paying more attention to these important variables. **FS**



### Dial tones

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