

PERIOD ENDING – 31 JULY 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>							
Bennelong Australian Equities Fund	576	6.3	2	13.6	1	11.2	3
Bennelong Concentrated Aust Equities	883	7.7	1	12.4	2	14.3	1
Greencape Broadcap Fund	723	2.9	5	11.2	3	10.3	5
Alphinity Sustainable Share Fund	162	-4.5	18	10.9	4	8.6	9
AB Managed Volatility Equities Fund	1,014	-3.1	13	9.9	5	9.0	6
AMP Sustainable Share Fund	15	-2.3	11	9.8	6	6.7	23
Greencape High Conviction Fund	406	0.4	7	9.3	7	8.6	11
Aberdeen Standard Australian Equities Fund	46	-4.0	16	9.2	8	7.6	14
Chester High Conviction Fund	55	3.5	4	8.5	9		
SGH Australia Plus Fund	9	2.8	6	8.5	10	11.5	2
<b>Sector average</b>	<b>450</b>	<b>-9.3</b>		<b>4.3</b>		<b>5.3</b>	
<b>S&amp;P ASX 200 Accum Index</b>		<b>-7.7</b>		<b>5.2</b>		<b>6.0</b>	

## INTERNATIONAL EQUITIES

Loftus Peak Global Disruption Fund	98	29.5	2	23.1	1		
Zurich Concentrated Global Growth	29	15.1	8	23.0	2		
BetaShares Global Sustainability Leaders ETF	705	23.0	3	22.0	3		
T. Rowe Price Global Equity Fund	3,830	21.5	5	21.1	4	14.9	1
Franklin Global Growth Fund	301	21.9	4	19.9	5	14.7	2
Apostle Dundas Global Equity Fund	979	12.4	13	18.5	6	11.5	8
Nikko AM Global Share Fund	99	10.1	16	18.4	7	12.4	4
Zurich Unhedged Global Growth Share Fund	367	9.9	17	17.7	8	11.5	9
Evans and Partners International Fund	58	3.7	38	17.7	9	13.5	3
Zurich Global Growth Share Fund	198	10.3	15	17.6	10	11.6	7
<b>Sector average</b>	<b>728</b>	<b>2.4</b>		<b>10.4</b>		<b>7.9</b>	
<b>MSCI World ex AU - Index</b>		<b>5.8</b>		<b>11.4</b>		<b>10.0</b>	

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
<b>COMBINED PROPERTY</b>							
Australian Unity Diversified Property Fund	289	14.1	1	14.8	1	17.2	1
Investa Commercial Property Fund	5,946	7.0	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	-0.4	7	8.1	5	10.8	5
Resolution Cap. Global Prop. Sec. Series II	348	-5.6	8	7.8	6	5.4	14
AMP Listed Property Trusts Fund	119	-14.4	20	7.7	7	7.0	9
ISPT Core Fund	16,028	1.3	6	7.0	8	9.6	6
Quay Global Real Estate Fund	163	-11.7	15	6.5	9	5.5	13
Pendal Property Securities Fund	373	-16.3	26	6.5	10	6.3	11
<b>Sector average</b>	<b>1,244</b>	<b>-15.2</b>		<b>2.6</b>		<b>4.3</b>	
<b>S&amp;P ASX200 A-REIT Index</b>		<b>-21.3</b>		<b>2.0</b>		<b>4.4</b>	

## FIXED INTEREST

Principal Global Credit Opportunities Fund	173	13.1	1	7.1	1	6.3	1
Macquarie True Index Sovereign Bond Fund	613	3.5	52	6.3	2	4.9	20
Legg Mason Brandywine Global Inc Optimiser Fund	45	12.2	2	6.3	3		
Pendal Government Bond Fund	896	4.4	31	6.3	4	5.0	13
Macquarie Australian Fixed Interest Fund	210	4.5	29	6.2	5	5.2	6
Schroder Fixed Income Fund	2,353	4.6	27	6.2	6	4.9	18
UBS Global Credit Fund	118	8.3	3	6.2	7	6.2	2
AMP Capital Wholesale Australian Bond Fund	963	4.3	32	6.1	8	5.0	9
Nikko AM Australian Bond Fund	185	4.0	38	6.1	9	5.0	11
Pendal Fixed Interest Fund	958	5.1	20	6.0	10	4.6	42
<b>Sector average</b>	<b>946</b>	<b>3.6</b>		<b>4.4</b>		<b>4.1</b>	
<b>Bloomberg Barclays Australia Breakeven</b>		<b>4.3</b>		<b>6.4</b>		<b>5.4</b>	

Source: Rainmaker Information



## Dial tones

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## Skew you guys, I'm going home

Anyone who is a close reader of these columns knows what a sucker/well-informed expert I am for a fresh way of analysing fund performance.

Recently I was looking at products considered alternative strategies. You might know them better as hedge funds or total return funds. These are not to be confused with dynamic asset allocation funds (also known as Multisector Flexible), whose "secret sauce" is how they allocate among asset classes to smooth out volatility.

Alternative strategies, however, derive most of their returns from activities that sit outside the long-only strategies of traditional equities and bonds managers. An example is a global macro manager that actively trades around political or economic events, such as Brexit or the US elections.

As such their toolbox may include long or short positions on options, futures, currencies, equities, bonds, and commodities. They are less beholden the direction of markets and should – ideally – make money in both up and down markets.

Often macro events are binary in that they can have one of two outcomes, so it is very important that strategies in play at any point in time are more or less independent of each other and that no positions are so large that if they went wrong they would – figuratively – sink the boat.

Now when a strategy is binary it is impossible to apply normal probability distributions against the outcomes. After all, you can't go back and repeat the experiment.

What you do instead is count the number of wins and losses that a manager has had over a period of time (where a win is a return greater than the cash rate over the same period). This is known as the hit rate, but it is also called the omega ratio.

You can do this on a time period basis with any fund that has a clearly defined benchmark index. In my experience, very good funds have a hit rate of around 60%. If the hit rate is higher than that you would be looking at other factors to help explain the performance, such as strong style or industry positions.

The other thing you do is consider the size of the wins to the size of the losses. Why? Consider our example with a hit rate of 60%. If the size of the individual losses and wins was the same, the manager would be making money, particularly if they make a lot of bets that are independent of each other.

If, however, the size of losses was much greater than the size of the wins the net result (after taking into account the 60% success ratio) could still be a loss. This is a reference to the re-

turns asymmetry or returns skew of the payoffs.

Skew is one of those difficult to conceptualise terms used in investment management. Take an Australian equities funds manager as an example. Instead of a 60% hit rate it has a 50% hit rate. To make money for the investor the average size of the wins must be greater than the size of the losses. This shows positive skew.

With negative skew you have fewer losses, but the size of each of those losses is greater than the more frequent wins.

Is the hit rate more important than the skew? Well, put simply, in an ideal world an investment would have both a positive hit rate and positive skew. The actual size of each would depend on the types of bets the manager was making.

What is more important is that your fund manager know these things. If they don't, and keep talking stock picks or strategy wins when things are good, and going silent or just trying to explain things away when the returns are not so hot, it's time to take a serious look at your investment.

And the reason I've put all this down in a column is that I would prefer it if these questions were asked upfront, before the investment is made.

If they don't know just quote *South Park's* Cartman: "Skew you guys, I'm going home." **FS**