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PERIOD ENDING – 31 DECEMBER 2018

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
AUSTRALIAN EQUITIES							
Allan Gray Australia Equity Fund	1469	-7.3	100	14.2	1	9.1	8
Dimensional Australian Value Trust	610	-5.9	79	11.2	2	6.1	49
Lazard Select Australian Equity Fund	184	-5.5	74	10.6	3	7.7	23
Macquarie WS Australian Equities Fund	148	-3.3	44	10.2	4	9.8	5
SGH Australia Plus Fund	8	-6.7	92	10.0	5	15.4	1
Bennelong Concentrated Aust Equities	724	-6.2	86	9.8	6	13.8	2
INVESCO Australian Share Fund	7	-1.7	25	9.4	7	7.8	22
Solaris High Alpha Australian Equity	257	-2.5	29	9.0	8	7.5	26
Legg Mason Martin Currie Select Opps Fund	28	-9.2	109	8.9	9	6.6	40
Antares High Growth Shares Fund	557	-4.0	56	8.9	10	8.3	13
Sector average	**$609**	**-5.4**		**5.7**		**6.2**	
S&P ASX 200 Accum Index		**-2.8**		**6.7**		**5.6**	
INTERNATIONAL EQUITIES							
Pengana High Conviction Equities Fund	20	7.3	5	21.8	1		
Antipodes Global Fund - Long Only	995	-1.5	55	11.9	2		
Antipodes Global Fund	3753	1.3	35	11.4	3	13.5	3
Lazard Global Equity Franchise Fund	87	4.2	12	10.8	4	15.1	1
T. Rowe Price Global Equity Fund	2308	3.4	18	10.7	5	13.1	4
AB Global Equities Fund	138	4.8	10	10.5	6		
Evans and Partners International Fund	39	7.7	4	10.5	7		
Nikko AM Global Share Fund	57	8.0	3	10.0	8	12.1	7
Magellan High Conviction Fund	492	3.4	17	9.7	9	12.4	6
Cooper Investors Global Equities Fund (Hedged)	181	2.7	20	9.6	10	11.1	15
Sector average	**$900**	**-0.3**		**7.7**		**9.6**	
MSCI AC World ex AU Index		**1.3**		**8.4**		**10.1**	

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
COMBINED PROPERTY							
Australian Unity Retail Property Fund	27	25.9	1	25.4	1	20.5	1
Australian Unity Healthcare Property Trust	827	8.5	8	14.8	2	13.9	3
Lend Lease Aust Prime Property Commercial	4968	12.3	5	14.6	3	13.6	7
Investa Commercial Property Fund	5166	12.9	3	14.2	4	13.8	5
DEXUS Property Fund	9389	12.7	4	13.8	5	13.3	10
ISPT Core Fund	14650	10.9	7	11.8	6	12.2	27
Australian Unity Property Income Fund	186	11.9	6	11.7	7	12.9	13
Lend Lease Aust Prime Property Industrial	950	14.4	2	11.4	8	12.5	23
Lend Lease Australian Prime Property Retail	5834	7.0	10	9.3	9	9.1	41
Macquarie Property Securities Fund	60	5.5	13	9.2	10	13.5	8
Sector average	**$1,303**	**2.0**		**7.3**		**11.4**	
S&P ASX200 A-REIT Index		**2.9**		**7.2**		**12.3**	
FIXED INTEREST							
PIMCO Global RealReturn Fund	11	-0.3	79	5.2	1	6.6	1
Yarra Income Plus Fund	95	3.2	31	4.5	2	4.6	37
Ardea Real Outcome Fund	498	3.2	32	4.3	3	3.7	51
Macquarie Core Australian Fixed Int Fund	297	4.9	4	4.3	4	5.1	5
PIMCO Global Bond Fund	5310	0.8	72	4.3	5	5.4	2
Janus Henderson Diversified Credit Fund	275	1.9	51	4.3	6	3.7	53
BlackRock Australian Bond Fund	64	4.9	3	4.2	7	5.2	4
UBS Diversified Fixed Income Fund	921	2.7	35	4.1	8	4.8	24
Legg Mason Western Asset Australian Bond	621	4.3	17	4.1	9	5.1	7
Macquarie Australian Fixed Interest Fund	114	4.4	10	4.1	10	5.0	9
Sector average	**$751**	**2.2**		**2.8**		**3.2**	
Bloomberg Ausbond Composite		**4.7**		**3.8**		**4.9**	

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

Source: Rainmaker Information

Don't drink the Kool-Aid

Brumbie

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The war between Australia's not-for-profit (NFP) and retail superannuation funds is over. It's now time to prepare for how we manage the peace.

The impact of the Royal Commission on the market share of super savings and net flows is yet to show its full force but NFP funds already hold 48% of the market, almost double the 25% share of retail funds.

This two-to-one ratio isn't just happening among asset market share, it's also among sector growth. NFP fund assets jumped 12% last year, while retail funds jumped just 5%.

But in a down market where last year overall contributions fell 5%, contributions into NFP funds held steady. Meanwhile, contributions into retail funds crashed 15%.

Given NFP funds already attract 57% of total contributions, more than twice the 23% going to retail funds, it's easy to see where this is heading.

Combine this with the steam coming out of the SMSF sector - evidenced by the halving of fund establishments over the past few years, dampening contributions and poor performance narrative - it's becoming increasingly clear the future of super belongs to the NFP sector.

On top of this, NFP funds are on track to overtake retail funds in the retirement sector by 2020.

This news is sure to lift the spirits of NFP funds, but only some - not all.

There are 75 NFP super funds but the 20 most popular attract 85% of all the contributions going into the sector. The remaining 55 are fighting over just 15%.

By the way, the 10 most popular retail super groups attract 82% of that sector's total contributions.

So let's stop fretting about the Productivity Commission's 'best in show' proposal. Thanks to market attrition and competition it's already happening. All the 'best in show' does, albeit without a remote chance of becoming law, is bring this fight into the open.

And if the super landscape becomes dominated by NFP funds, low performing NFP funds that might have previously outperformed low performing retail funds will face scrutiny.

Further, the representative trustee model which has been its backbone will become the nation's dominant fiduciary model. And the way these funds invest will begin to permeate Australia's capital markets.

So, if you are an investment manager seeking to sell, for example hedge fund mandates, you better get to work building your reputation among retail and preferably non-super customers. Same goes for investment managers of A-REIT managed investment products.

But if your investment house specialises in unlisted real property or infrastructure assets or private equity you are sitting pretty. The only catch is you won't get away charging the same fees you've probably grown used to.

Another catch is that with IFM Investors and self-management being the NFP sector's number one and two investment manager followed closely by the indexing heavyweights, other investment managers looking to stake their claim will have a fight on their hands.

Self-management, counted collectively in terms of new mandates, will also reshape how these funds govern their investments. And how regulators watch them. After all, even with the best intentions it's never easy sacking yourself if you're not delivering the investment outcomes your members have come to expect.

This success of NFP super of course comes with risks. Not the traditional ones such as investment, compliance or governance risks but the more damaging kind, like competition risk.

Some NFP funds may become so large and successful we have to break them up just to protect Australia's financial system. But the bigger risk and their greatest threat is hubris. Giddyup. FS