PERIOD ENDING – 30 SEPTEMBER 2021

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							
Hyperion Australian Growth Companies Fund	2,565	40.2	8	22.3	1	15.9	3
Bennelong Australian Equities Fund	1,096	43.5	2	21.2	2	18.9	1
Bennelong Concentrated Aust Equities	1,957	42.4	3	19.1	3	18.4	2
Australian Ethical Australian Shares Fund	630	38.0	12	17.2	4	13.4	8
PM Capital Australian Companies Fund	34	41.4	6	15.9	5	12.5	16
First Sentier Wholesale Conc. Aust. Share Fund	1,068	25.7	38	14.3	6	13.1	12
First Sentier Wholesale Australian Share Fund	306	26.2	37	14.1	7	13.3	9
Australian Unity Platypus Australian Eq. Fund	286	22.5	40	13.8	8	14.8	4
Ausbil Active Sustainable Equity Fund	113	35.0	14	13.8	9		
Tribeca Alpha Plus Fund	166	34.9	15	13.6	10	11.8	19
SECTOR AVERAGE	**934**	**32.0**		**9.3**		**10.1**	
S&P ASX 200 ACCUM INDEX		**30.6**		**9.7**		**10.4**	
INTERNATIONAL EQUITIES							
BetaShares Global Sustainability Leaders ETF	1,847	28.5	15	22.7	1		
T. Rowe Price Global Equity Fund	6,410	29.2	12	22.3	2	21.8	1
Claremont Global Fund	70	35.0	5	21.3	3	18.5	7
Zurich Inv Conc. Global Growth Fund	112	25.1	28	21.1	4	21.4	2
Franklin Global Growth Fund	760	26.7	21	20.3	5	20.9	3
Loftus Peak Global Disruption Fund	217	21.0	37	19.9	6		
Forager International Shares Fund	261	44.4	1	19.5	7	16.5	21
Pengana Axiom International Ethical Fund	380	31.3	10	18.5	8	10.4	34
Capital Group New Perspective Fund	1,301	28.8	13	18.5	9	19.2	4
Zurich Global Growth Share Fund	287	27.3	18	18.3	10	19.0	6
SECTOR AVERAGE	**1,051**	**28.4**		**12.1**		**14.1**	
MSCI WORLD EX AU INDEX		**29.6**		**13.5**		**14.4**	

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							
Lend Lease Aust Prime Property Industrial	1,567	34.0	6	17.8	1	15.7	2
Australian Unity Diversified Property Fund	339	20.8	35	14.8	2	16.3	1
UBS Property Securities Fund	318	34.4	4	13.6	3	10.3	5
Pendal Property Securities Fund	525	29.4	27	12.2	4	9.6	9
Resolution Capital Real Assets Fund	29	27.4	32	11.5	5	9.4	10
Charter Hall Maxim Property Securities Fund	235	33.3	8	11.2	6	9.9	7
Resolution Cap. Core Plus Prop. Sec. Series II	29	30.7	10	10.9	7	9.0	11
Ironbark Paladin Property Securities Fund	361	30.6	12	10.9	8	8.9	13
SGH LaSalle Conc. Global Property Fund	23	41.9	2	10.7	9	7.3	28
Quay Global Real Estate Fund	458	32.9	9	10.5	10	10.2	6
SECTOR AVERAGE	**1,297**	**27.0**		**7.0**		**6.6**	
S&P ASX200 A-REIT INDEX		**29.8**		**8.6**		**7.1**	
FIXED INTEREST							
First Sentier Global Corporate Bond Fund	51	0.4	13	6.0	1	4.1	3
BetaShares Aust. Investment Grade Corp. Bond ETF	520	-0.5	23	6.0	2		
MCP Wholesale Investments Trust	2,484	5.2	2	6.0	3		
First Sentier Inv. Grade Corp. Bond Fund	700	2.3	3	6.0	4	4.2	2
Capital Group Global Corporate Bond Fund Hedged	15	0.8	11	5.8	5		
Aberdeen Standard Global Corporate Bond Fund	260	2.2	4	5.6	6	4.0	5
Vanguard Australian Infl Linked Bond Index	898	0.8	9	5.6	7	3.9	7
Lazard EM Total Return Debt Fund	68	5.8	1	5.4	8	2.3	24
Schroder Fixed Income Fund	2,062	0.4	15	5.3	9	4.0	4
iShares Core Global Corp. Bond (AUD H) ETF	286	1.1	8	5.2	10	3.5	13
SECTOR AVERAGE	**894**	**-0.2**		**3.8**		**2.8**	
BLOOMBERG BARCLAYS AUSTRALIA (5-7 Y) INDEX		**-1.0**		**4.4**		**3.1**	

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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Products that zag when markets zig

Recently I received a message from abrdn Australia in response to a previous column on the importance of long volatility strategies in protecting equities portfolios.

The message was they had the solution to my problems. But before we get to that let us review the problem. "Long vol" strategies are designed specifically to protect investment portfolios during periods of high volatility.

We know that equities is a volatile asset class and that equities exposure is the biggest risk in your typical investment portfolio.

But its volatility is neither consistent nor stable. It is lowest when returns are positive and highest when markets are on a losing streak. Most of the time equities make steady gains and everybody's happy.

Occasionally, though, they embarrass themselves and volatility goes through the roof.

The statistical term that describes this behaviour is skewness. You won't hear many funds managers or consultants talk about this. Personally, I'm a bit obsessed with it.

Negative skewness is when there are many small gains and a few large losses. Equities have negative skewness, which is why they are sometimes referred to as being a "short vol" strategy.

Positive skewness is when there are many small losses and a few large gains. Strategies that have positive skewness are called "long vol" strategies. They love it when market volatility spikes since this is when they make the most money. Most of the time they just sit there doing nothing (or slowly losing money). But every now and again, just when equities are freaking out, long vol strategies make out like bandits.

Neither of these types of skewness - on their own - is ideal for investors, particularly when there are cashflows involved.

When a portfolio has positive cashflows, such as a superannuation account when the member is contributing year after year with many years to go, they should favour negative skew as a portfolio characteristic. After all, when the market falls they continue buying assets at lower prices using their contributions. Dramatic falls early in their investment journey (when the portfolio is relatively small) are in fact positive for the end goal of wealth creation.

Positive skew is relatively bad for wealth creation at the beginning of the investment journey. When the portfolio is small in dollar terms large gains make relatively small impact on the portfolio compared with sudden high returns when the portfolio is bigger.

When the positive cash flows stop (this means when the investor is no longer adding fresh money to the portfolio), negative skew becomes much more dangerous. A big correction (when it's not followed by an immediate recovery like we saw in 2020) could see the owner drawing down when market prices are less than what they originally paid. Once you sell an asset at a loss this is equivalent to a permanent loss of capital.

There's no opportunity to buy back assets at lower prices. The investor becomes a net seller at lower prices.

This is where positive skew/long vol strategies come in handy. When combined with short vol assets (ie, equities) long vol strategies balance the skew and make it neutral for the total portfolio. During a market correction, the short vol strategy (ie equities) lose money while the long vol strategy makes money. End result: Neutrality.

For many years this was the role of long duration government bonds. This is more difficult with low yields (although with the inflation threat yields are rising).

Bonds can still be of benefit, and the longer the maturity the more effective they are for the same investment dollar.

The other solution is abrdn's just launched Global Risk Mitigation strategy. It has positive skew! Who knew that's what you wanted? **FS**