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Fund managers are ranked after markets rebound

By **DAVID ROGERS**, MARKETS EDITOR
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Lesser-known fund managers have topped the rankings for long-only managers of Australian shares in the latest quarter, amid a surprisingly strong rebound in sharemarkets globally.

Smallco Broadcap Fund, Collins Opportunistic Value Investing and CBG Australian Equities were the top three in the Mercer Investment Surveys for the March quarter.

The median long-only fund returned 10.9 per cent in the March quarter, exceeding a 9.7 per cent return in the past year, while almost matching an annualised return of 11.8 per cent per annum in the past three years.

It was a big improvement in the performance of the average long-only fund compared to the December quarter, when the median return was minus 10 per cent.

The much better performance came as the benchmark S&P/ASX 300 index rose 9.5 in the March quarter, after falling 9.2 per cent in the December quarter.

Mercer's lead specialist, equities, Mark Vrkic, said the improvement was largely due to significant exposure to pro-cyclical sectors and pro-growth positioning common to a large number of managers.

"This was a notable reversal from the 'flight to safety' mentality in the previous quarter," he said.

For the year to March, the top three long-only funds were ECP AM All Cap, Martin Currie Australian Real Income, and Panther Trust Australian Shares, all with returns of close to 20 per cent.

Over the five-year time frame often favoured by long-only fund managers, the top performer was Selector High Conviction Equity Fund, with an annualised return of 17 per cent per annum.

Interestingly, Smallco Broadcap Fund also scored the highest tracking error over five years of 8.9 per cent per annum, meaning that its return was the most differentiated to that of their benchmark.

“While the divergence in upper quartile and median manager performance narrowed in this quarter compared to the previous quarter, the need to focus on identification of the better performers continues to require careful research and due diligence,” Mercer’s Mr Vrkic added, noting that the key stocks that led the index higher over the quarter included BHP, Rio Tinto and Macquarie Group.

“A lack of exposure to these stocks or material underweights had a meaningful impact on performance relative to the index,” he said.

Those stocks were also the leading performers over the past 12 months. Other strong performers in that time frame included CSL, Goodman Group and Wesfarmers.

“Leading managers for the year were overweight strong performers like CSL, Macquarie, BHP and Rio Tinto, and underweight banking stocks.”

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David Rogers began writing on financial markets in 1987, having worked for Standard & Poor's, Thomson Financial, BridgeNews, Dow Jones Newswires, Tolhurst Noall and The Wall Street Journal. David has extensive ... Read more