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FINANCIAL REVIEW

Top Australian fundies keep delivering the goods

Short-term performance numbers for fund managers tend to distract from the longer-term returns, which are consistently high for the top-rated fundies.

The top-performing Australian equities fund managers in 2020 stand out because of their consistency in delivering high returns over the medium to long term.

This must be heartening for investors contemplating investment in long-only actively managed equities, and for active equities managers fighting to maintain their competitiveness against low cost exchange traded funds.

Top fund managers have proven performance through thick and thin. **David Rowe**

Data prepared for Chanticleer by research house Morningstar shows the top 10 funds in calendar 2020 were managed by: Hyperion Asset Management, Prime

Value Asset Management, First Sentier Investors, Bennelong Funds Management, Katana Asset Management, Sterling Equity, PM Capital, Chester Asset Management, Ausbil Investment Management, and Platypus Asset Management.

Morningstar classifies fund managers into different styles of investment. For the purposes of this performance measure it is growth, value and a blend of both. (It should be noted past performance is not a guide to future performance.)
A closer examination of the long-term performance of the top-performing funds shows they have been resilient through volatile markets over many years.

The top-ranked Hyperion Australian Growth Companies fund, which delivered a return of 33 per cent in 2020, has beaten its benchmark by 450 basis points or more every year for the past 15 years.

The fund's annual return was 19 per cent for the past three years, 14.5 per cent for the past five years, 13.5 per cent for the past seven years, 13 per cent for the past 10 years, and 11.3 per cent for the past 15 years.

The Morningstar data for 2020 is to the end of December, but the longer-term numbers in this column are up until the end of November.

Performance consistency

Hyperion's investment philosophy is summed up in the belief that "proven quality businesses with the strongest competitive advantages and organic growth opportunities produce superior shareholder returns over the long term".

Companies in its portfolio have predictable earnings, low debt, high interest cover, sustainable competitive advantages, high return on capital, strong free cash flow, organic growth options and experienced and proven management.

Its top five holdings at the end of November included two of the best-performing tech stocks listed on the ASX: Afterpay, WiseTech Global, Xero, Fisher & Paykel, and CSL.

There is a similar story of performance consistency for the Prime Value Emerging Opportunities Fund, which was ranked second in 2020 with a return of 23.4 per cent.

The fund's returns over three years and five years were 16 per cent per annum and 13 per cent per annum, respectively. The power of compounding is clear from the fact that someone who invests in the fund five years ago would have doubled their money.

The third-ranked fund, First Sentier Wholesale Concentrated Australian Share Fund, invests in about 15 to 30 securities with strong balance sheets and strong earnings.

Its top five stocks in November were Afterpay, BHP Group, Commonwealth Bank of Australia, CSL and National Australia Bank.
Investors in the fund over the long term have enjoyed the following annual returns: three years (15.6 per cent), five years (12.1 per cent), seven years (9.9 per cent) and 10 years (9.6 per cent).

The Bennelong Australian Equities Fund delivered the following medium- to long-term returns: three years (16.5 per cent per annum), five years (14.6 per cent per annum) and 10 years (12.76 per cent per annum).

The Katana Australian Equity Fund had a return a 12.4 per cent a year over the past three years and 11 per cent a year for the past five years. Sterling Equity's annualised performance since inception in 2007 is 16 per cent.