Best performing fund managers during COVID-19 downturn

By John Collett
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Despite sharemarket volatility as investors came to grips with the implications of the global COVID-19 pandemic, some active fund managers still achieved stellar investment returns of 20 per cent or more in the 2019-20 financial year.

The latest Mercer report for managed funds that invest in Australian shares shows that those who invested heavily in the healthcare and technology sectors tended to perform the best, while those heavily weighted to energy and financials did worst.

Mercer Pacific head of portfolio management Ronan McCabe says investment reaction to the coronavirus has been unprecedented but healthcare performed well as the market focused on healthcare solutions.

A favourable view towards online and remote working products and services provided a major boost for technology related shares, he says.

Mercer publishes returns for investment funds before fees and taxes are deducted, which means investors actually receive less in their pockets than stated returns.

QVG Long Short fund topped the table of Australian share funds with a return of 29.3 per cent. The Australian sharemarket returned minus 7.7 per cent over the same period.

Chris Prunty who co-founded QVG Capital in 2017 with Tony Waters, said investing in smaller companies was a major fillip for the fund.

"We had a positive tilt to technology and payments businesses like 'Buy Now Pay Later' provider Afterpay, IT service provider Data#3 and accounting software firm Xero, which all contributed to the strong return," he said.

The fund is different to many others in that it not only invests in companies in which it believes the share price will shine but it also takes "short" positions which, when correctly called, makes money when share prices fall.

The fund had short positions in satellite communications business Speedcast as well as companies that operate in the hard-hit international travel sector most affected by the coronavirus pandemic.

Speedcast shares were changing hands for more than $4 a year ago but plunged to just 79 cents in January before they went into a trading halt. The firm later filed for bankruptcy protection in the US.

Still, Prunty warns investors that markets remain choppy and that smaller companies are more volatile than larger ones.

The funds's objective is to outperform the market over the longer term, which means there will be some years when returns are lower.

The Prime Value Emerging Opportunities Fund topped the Australian Small Companies category for the year to June 30 with a return of 20 per cent.

Richard Ivers, the fund's portfolio manager, says it is important to preserve capital first, particularly in current market conditions.

The manager held his nerve during February’s fastest bear market in history – investing through the downturn – and bought stocks that had a high probability of strong returns.

These included Fisher& Paykel Healthcare, whose share price doubled over the financial year. The company manufactures respiratory humidifiers and consumables that are used in treating patients with COVID-19.