

Investment *Sponsored by*

Top equities managers revealed

BY **ALLY SELBY** | THURSDAY, 16 JUL 2020 @ 12:30PM

Former Ausbil microcap managers Tony Waters and Chris Prunty have come out on top of Mercer's Australian Shares Investment Manager Performance ranking, after their QVG Capital Long Short fund returned 29.3% for the year.

Hyperion Australian Growth and Collins St Value Fund took out the second and third spots respectively, returning 19% and 13% over the 12 months ending June.

Mercer head of portfolio management in the Pacific Ronan McCabe said active managers with quality and growth biases outperformed their peers.

"Quality characteristics such as companies focusing on the efficient use of capital and strong sales momentum have performed relatively well in this tough period, and has benefited portfolios with an emphasis on these themes," he said.

"Investment styles often explain a large part of the relative performance of investment managers, and this was the case in this recent period.

"We have seen time and time again that the benefits of active management are most evident in more challenging markets and this continues to be the case."

Managers with exposures to healthcare and IT also outperformed, McCabe said.

"The COVID-19 pandemic and market reaction has been unprecedented," he said.

"While many stocks in some sectors have been adversely affected, stocks in healthcare and IT have performed very well as the market has focused on healthcare solutions, and a favourable view towards online and remote working products and services."

He believes this trend will continue for the foreseeable future.

High performing managers with healthcare or IT exposures (or both) include fund's Bennelong Concentrated Equities (9% return over one year), ECP Asset Management All Cap (7.1% return over one year), Hyperion Australian Growth (19% return over one year) and Platypus Australian Equities (11.9% return over one year). The Greencape Broadcap Fund was also one of the top performers over the past 12 months, with exposures to consumer staples and materials (and a quality/growth bias).

Value managers tended to underperform over the past 12 months, with fund's Allan Gray Australian Equity, Dimensional Australian Value, Lazard Select Australian Equity, Martin Currie Australia Real Income and Nikko AM Australian Share lagging the market.

Mercer also found that for the full financial year, the median manager outperformed the S&P/ASX 300 Index, with the top quartile of managers outperforming by over 3%.

In the second quarter, the median manager in comparison outperformed the index by 0.5%, while the upper quartile of managers outperformed by nearly 3%.

"This marks a rebound in benchmark-relative outperformance after a tough Q1 for managers in both absolute terms and in benchmark-relative terms," Mercer said.

While the median manager beat the benchmark for the full financial year, the gap between the upper and lower quartile of managers has continued to widen, Mercer said.

The upper quartile of managers returned -4%, 6.6% and 8%, on a one year, three year and five year basis respectively. Meanwhile, the lower quartile of managers returned -10.8%, 2% and 4.9% during the same time frames.

"This has been driven by the divergence in performance of value and growth stocks in particular with the value style lagging," Mercer said.

"We believe that this highlights the importance of fund manager diversification when selecting a portfolio of active managers."

The top performing sectors over one year were healthcare, IT, and consumer staples, while energy, financials and real estate underperformed. Over the past three months, IT, consumer discretionary and energy sectors outperformed the benchmark.

"Market trends and stock leadership seen in the first three quarters of the financial year saw some reversal in the last quarter," Mercer said.

"While growth stocks like Afterpay and Appen continued to outperform, previous laggards in the energy sector (such as Santos and Origin Energy) also staged a strong rally.

"As such, while quality/growth managers like ECP Asset Management and Greencape Capital continued to perform well, value managers like Merlon Capital Partners and Dimensional Fund Advisors were also within the upper quartile in the June quarter."

This page was found at: <https://www.financialstandard.com.au/news/top-equities-managers-revealed-168597166>

Printed: **Thursday, 16 July 2020 2:28pm**