



Hedge Clippings | Friday, 24 March 2023

Dear Katherine,

What defines the best managed fund?

This week we thought we'd give politics and politicians a rest, as well as tax and the superannuation system. We're not even going to elaborate on the frailty or otherwise of the US or global banking system, except to say "who ever thought the Swiss would run into trouble?"

Instead, we're looking at the performance of equity markets, and managed funds - and specifically the best performing ones, over varying time frames. We also refer to an excellent article ([see link](#)) by Romano Sala Tenna, Portfolio Manager at [Katana Asset Management](#) in Graham Hand's excellent "First Links" newsletter. The essence of the article is that time, and patience, are the keys to successful long term investing in the equity market. While there may be some volatility along the way, Romano clearly shows that the market's direction (given time) is always upwards. Which of course begs the question why so many investors try to "punt" the market, with highly variable results.

Maybe it is simply the love of the punt, or possibly one, the other, or both of the two most common flaws of investing; greed and fear. As Romano points out, the sharpest fall (3 months) in the history of the ASX was in early 2020, thanks to COVID. Those who sold in February or March 2020 missed out on one of the strongest rallies which followed. He also points out that the market has averaged a return of 10.8% over the last 147 years. That may be longer than most fund managers propose, but you probably get the point. Romano's message is to invest for the long term and stay patient.

As the chart below shows, on a rolling basis if you had invested in the market for any 8 year period since 1875, you won't have experienced a negative return.

Timeframe (Rolling Average)	Average Return Since 1875	Number of Negative Periods
5 Years	65.0%	7
7 Years	100.6%	2
8 Years	120.2%	0

Source: *Katana Asset Management*

Some might wonder why, given Fund Monitors' focus is on managed funds, we're looking at investing directly in the market. Quite simply, choosing a managed fund is not so easy investing in the index. Managed funds come in all shapes and sizes, and performance varies between them. Performance also varies over time, and we would agree that when analysing the performance of funds one has to look at performance over the longer term. However, some of the best performing Australian Long Only funds over one year don't always back it up, year after year.

The top 10 performing funds over the longer term however (7 years) don't always appear in the top 10 over 5, 3, and 1 year. Careful analysis shows consistency (at least in the top 10 list) is difficult to achieve. For the record, Romano's [Katana Australian Equity Fund](#) makes the Top 10 list in all four time frames - 1, 3, 5, and 7 years. Rob Gregory's [Glenmore Asset Management](#) doesn't have a 7 year track record but makes the top 10 over 5, 3, and 1 year. [DMX Capital Partners](#) and [Anacacia's Wattle Fund](#) appear in the top 10 tables 3 times, each over 7, 5, and 3 years.

5 Years to Jan 2023		Market Caps	Ret (1y)	Ret (3y)	Ret (5y)	Ret (7y)	Sharpe (5y)
1	Glenmore Australian Equities Fund	Mid	15.15%	17.65%	18.10%	-	0.77
2	Anacacia Capital Wattle Fund	Mid	10.70%	15.41%	16.35%	16.97%	0.86
3	DNR Capital Australian Emerging Companies Fund	Mid	5.66%	16.27%	16.30%	-	0.71
4	DMX Capital Partners Limited	Small, Mid	-7.71%	17.66%	15.89%	16.06%	0.86
5	Collins St Value Fund	Large	-7.92%	13.70%	14.01%	14.47%	0.74
6	Ausbil Australian Geared Equity Fund	Large	23.82%	10.46%	13.90%	18.55%	0.5
7	Bennelong Emerging Companies Fund	Small	-8.34%	6.06%	13.77%	-	0.59
8	Katana Australian Equity Fund	Universal	15.41%	14.77%	12.36%	12.35%	0.67
9	Ausbil MicroCap Fund	Small	-10.11%	7.43%	11.82%	12.48%	0.49
10	Pendal MicroCap Opportunities Fund	Small	-8.24%	10.64%	11.29%	14.07%	0.55
7 Years to Jan 2023		Market Caps	Ret (1y)	Ret (3y)	Ret (5y)	Ret (7y)	Sharpe (7y)
1	Ausbil Australian Geared Equity Fund	Large	23.82%	10.46%	13.90%	18.55%	0.68
2	Anacacia Capital Wattle Fund	Mid	10.70%	15.41%	16.35%	16.97%	1.02
3	DMX Capital Partners Limited	Small, Mid	-7.71%	17.66%	15.89%	16.06%	0.95
4	Collins St Value Fund	Large	-7.92%	13.70%	14.01%	14.47%	0.75
5	Terra Natural Resources Fund	Small	-18.56%	15.73%	0.99%	14.33%	0.53
6	Pendal MicroCap Opportunities Fund	Small	-8.24%	10.64%	11.29%	14.07%	0.75
7	Perpetual Pure Microcap Fund	Small, Mid	-1.13%	11.53%	9.26%	13.97%	0.69
8	Allan Gray Australia Equity Fund - Class B	Large	18.42%	7.25%	7.58%	13.31%	0.67
9	Allan Gray Australia Equity Fund - Class A	Large	17.51%	6.45%	6.83%	13.05%	0.65
10	Endeavor Growth Equities	Universal	7.30%	8.11%	10.91%	12.74%	0.74
Benchmarks			Ret (1y)	Ret (3y)	Ret (5y)	Ret (7y)	Sharpe (7y)
	ASX200 Total Return	Large	12.21%	5.96%	8.51%	10.25%	0.37
	ASX Small Ordinaries Index	Small, Mid	-4.45%	2.40%	4.34%	8.42%	0.2

Analysis of managed funds isn't as simple as just selecting the top performing funds. Join our webinar **"Making the Most of Fund Monitor's Data"** next week, either on [Tuesday 28th at 11:30](#) in the morning, or alternatively on [Thursday 30th at 4:00](#) in the afternoon (both AEST) and we'll give you a site tour and tips on how to use the website to compare and track over 700 funds.

News & Insights



Experiences Rule!

By *Insync Fund Managers*

The Experience Megatrend, of which travel is a component, is one of 16 in our portfolio. Borders have reopened and travel is at full throttle. Growth rates in this industry are through the roof as the industry powers ahead from the COVID-19 pandemic.

[Read Full Article](#)



Trip Insights: Americas

By *4D Infrastructure*

This is the 12th in our series of Trip Insights where we share our travel experiences. It follows a trip taken by Sarah Shaw, Global Portfolio Manager, to Mexico and North America in January 2023.

[Read Full Article](#)

February 2023 Performance News



The **Digital Asset Fund (Digital Opportunities Class)** rose by +1.93% in February. Since inception in May 2021, the fund has returned +30.35% per annum, a difference of +66.04% relative to the S&P Cryptocurrency Broad Digital Market benchmark which has fallen -35.69% on an annualised basis over the same period. [Read more...](#)



The **Insync Global Capital Aware Fund** rose by +2.22% in February, an outperformance of +0.59% compared with the All Countries World (AUD) benchmark which rose by +1.63%. Since inception in October 2009, the fund has returned +9.73% per annum, a difference of -0.57% relative to the benchmark which has returned +10.3% on an annualised basis over the same period. [Read more...](#)



The **Collins St Value Fund** returned -2.1% in February, an outperformance of +0.35% compared with the ASX 200 Total Return benchmark which fell by -2.45%. Since inception in February 2016, the fund has returned +13.94% per annum, a difference of +4.2% relative to the benchmark which has returned +9.74% on an annualised basis over the same period. [Read more...](#)



The **Bennelong Emerging Companies Fund** returned -2.26% in February, an outperformance of +0.19% compared with the ASX 200 Total Return benchmark which fell by -2.45%. Since inception in November 2017, the fund has returned +17.12% per annum, a difference of +9.06% relative to the benchmark which has returned +8.06% on an annualised basis over the same period. [Read more...](#)



The **Emit Capital Climate Finance Equity Fund** returned -0.47% in February. Over the past 12 months, the fund has risen by +0.99% compared with the All Countries World (AUD) benchmark which has fallen -1.19%, for a difference of +2.18%. Since inception in August 2019, the fund has returned +45.99% per annum, a difference of +38.6% relative to the benchmark which has returned +7.39% on an annualised basis over the same period. [Read more...](#)



The **Bennelong Twenty20 Australian Equities Fund** returned -2.3% in February, an outperformance of +0.15% compared with the ASX 200 Total Return benchmark which fell by -2.45%. Since inception in November 2009, the fund has returned +9.48% per annum, a difference of +1.62% relative to the benchmark which has returned +7.86% on an annualised basis over the same period. [Read more...](#)



The **PURE Resources Fund** returned -1.1% in February, an outperformance of +7.98% compared with the S&P/ASX Small Resources TR benchmark which fell by -9.08%. Since inception in May 2021, the fund has returned +8.05% per annum, a difference of +2.37% relative to the benchmark which has returned +5.68% on an annualised basis over the same period. [Read more...](#)



The **Bennelong Concentrated Australian Equities Fund** returned -3.6% in February. Since inception in February 2009, the fund has returned +13.44% per annum, a difference of +3.62% relative to the ASX 200 Total Return benchmark which has returned +9.82% on an annualised basis over the same period. [Read more...](#)

And on that note, have a great week-end.

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