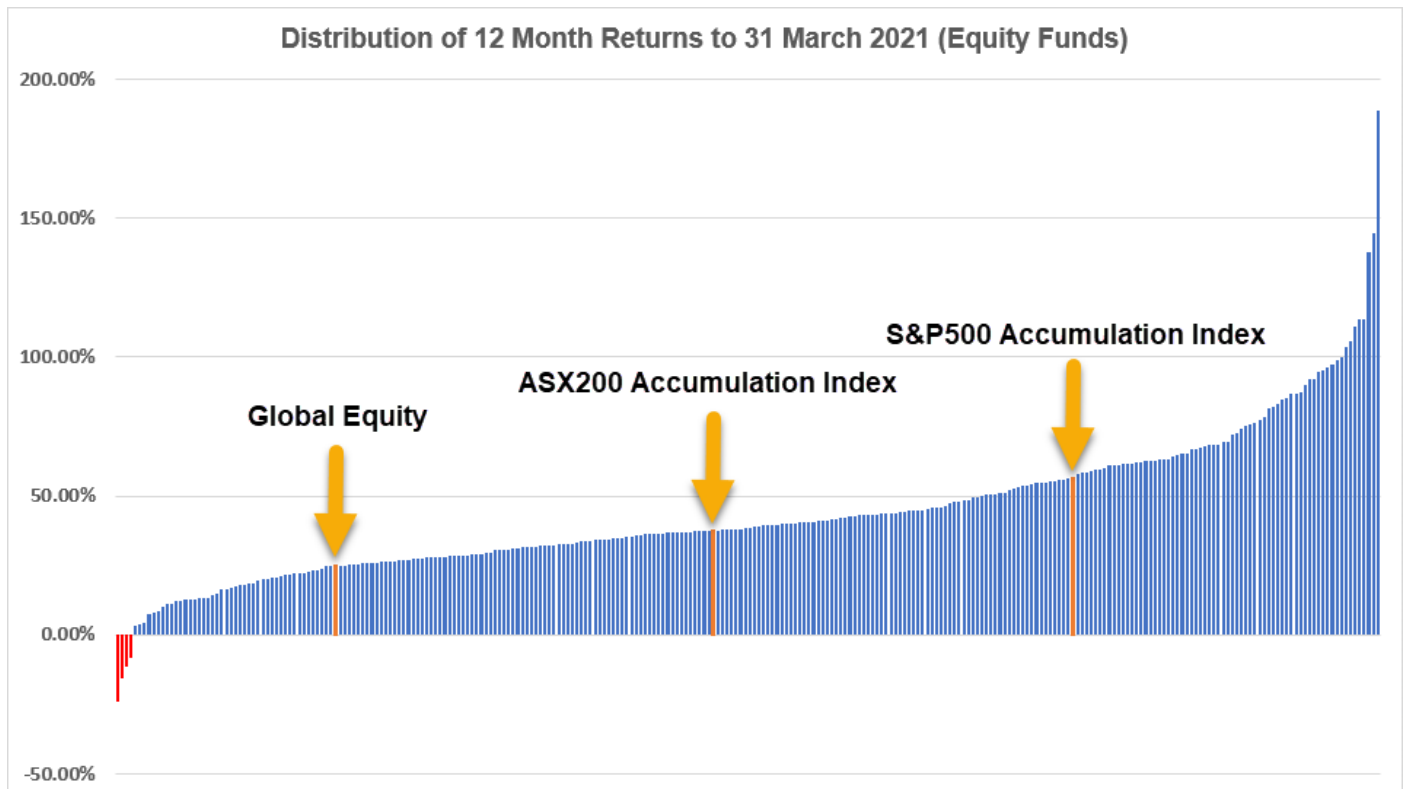


# Top 20 Fund Analysis:

## April 2020 to March 2021

At the end of March 2020 no one would have predicted the extraordinary rally in equities both globally and in Australia. 12 months later, equity based fund managers' performance statistics have finally shaken off the negative Covid-led returns of the first quarter of 2020. Buoyed by market returns of 37.47% for the ASX 200 Accumulation Index (AI) and an even stronger return of 56.35% percent for the S&P 500 AI, only 1.4% percent of managers failed to produce positive 12 month returns.

As a result of the exceptionally strong market, a higher proportion of funds than normal underperformed their relative index as shown by the chart below showing distribution of returns of all equity based funds:

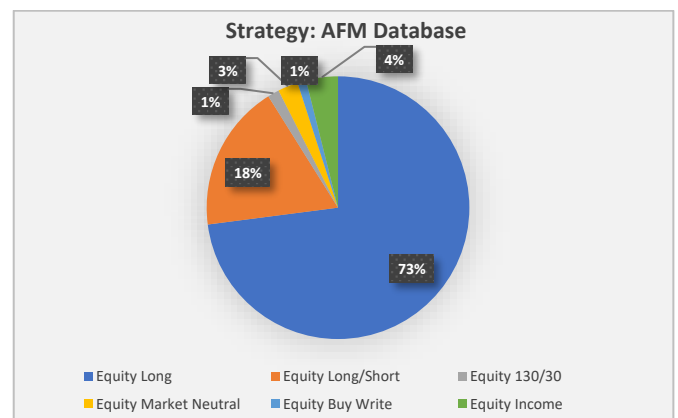
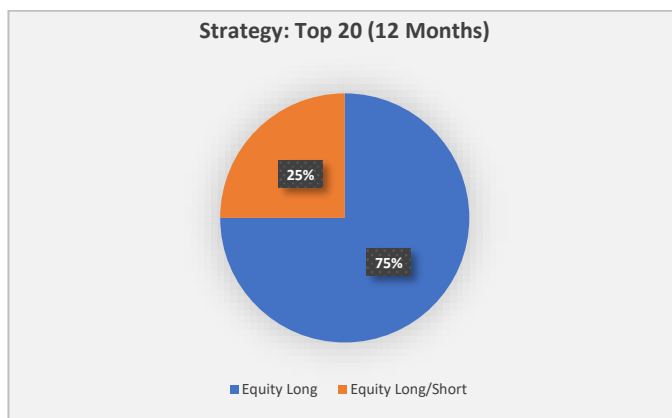


Having said that, the performance of many funds was exceptional, as shown by the table on the next page. The top 20 funds produced an average return of 106.8% for the 12 months to the end of March 2021, with almost half of them returning 100% or more, and the top performer returning 188%. Inevitably, volatility of returns (standard deviation) was higher than normal in many cases, but even allowing for this the average 12 month Sharpe ratio of the top 20 funds was over 3.

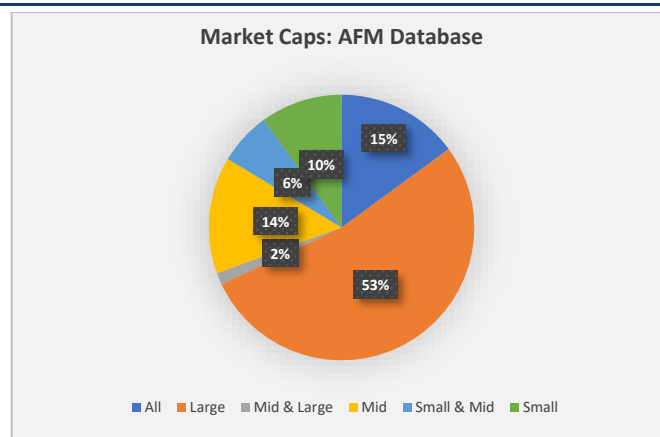
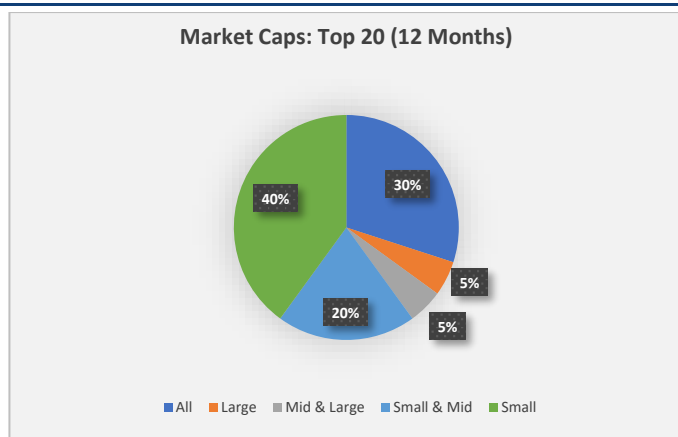
**Table 1: Top 20 Funds (12 Months to March 2021)**

Fund Name	Market Caps	Strategy	Geographic Mandate	Latest 12 Months	Latest 36 Months p.a.	Latest 60 Months p.a.	Volatility p.a. (12 months)	Sharpe Ratio (12 Months)
Frazis Fund	All	Equity Long/Short	Global	188.55%	-	-	34.21%	3.39
Auscap Long Short Australian Equities Fund	Mid & Large	Equity Long/Short	Australia	144.48%	7.22%	7.22%	27.90%	3.45
Terra Natural Resources Fund	All	Equity Long	Australia/Global	137.62%	6.36%	16.53%	32.79%	2.88
SGH Emerging Companies Fund	Small	Equity Long	Australia	113.84%	18.89%	18.98%	24.01%	3.37
Nikko AMARK Global Disruptive Innovation Fund	Large	Equity Long	Global	113.41%	-	-	26.92%	3.03
L1 Capital Long Short Fund	All	Equity Long/Short	Australia/Global	111.18%	9.52%	14.43%	36.48%	2.27
Bennelong Emerging Companies Fund	Small	Equity Long	Australia/NZ	105.99%	27.56%	-	30.30%	2.58
Regal Atlantic Absolute Return Fund	All	Equity Long/Short	Australia/Global	103.53%	-11.62%	-2.96%	34.44%	2.29
1851 Emerging Companies Fund	Small & Mid	Equity Long	Australia/NZ	100.19%	-	-	17.51%	4.15
DMX Capital Partners Limited	Small & Mid	Equity Long	Australia	98.65%	24.89%	20.26%	11.47%	6.2
Spheria Australian Micro Cap Fund	Small	Equity Long	Australia/NZ	97.18%	10.64%	-	18.39%	3.88
Equitable Investors Dragonfly Fund	Small & Mid	Equity Long	Australia	96.14%	2.06%	-	28.67%	2.54
THB US Micro Cap Fund	Small	Equity Long	USA	95.19%	17.58%	19.73%	15.00%	4.64
OC Micro-Cap Fund	Small	Equity Long	Australia	94.70%	21.86%	22.64%	23.39%	3.03
Ellerston Australian Micro Cap Fund	Small	Equity Long	Australia/NZ	92.12%	20.47%	-	23.71%	2.93
Acadian Wholesale Geared Global Equity Fund	All	Equity Long	Global	92.11%	21.42%	23.96%	20.73%	3.33
Paragon Australian Long Short Fund	All	Equity Long/Short	Australia	89.80%	4.54%	9.59%	34.10%	2.09
Ophir Global Opportunities Fund	Small & Mid	Equity Long	Global	87.26%	-	-	11.29%	5.73
Perennial Value Smaller Companies Trust	Small	Equity Long	Australia	87.03%	11.89%	14.26%	21.82%	3.04
Forager International Shares Fund	Small	Equity Long	Global	86.94%	21.25%	18.88%	14.72%	4.42
ASX200 Accumulation Index				37.47%	9.65%	10.25%	12.31%	2.66
S&P500 Accumulation Index				56.35%	16.78%	16.29%	16.59%	2.81
Global Equity				24.91%	12.67%	13.59%	8.11%	2.78
<b>Average (excludes indices)</b>				<b>106.80%</b>	<b>13.41%</b>	<b>15.29%</b>	<b>24.39%</b>	<b>3.46</b>

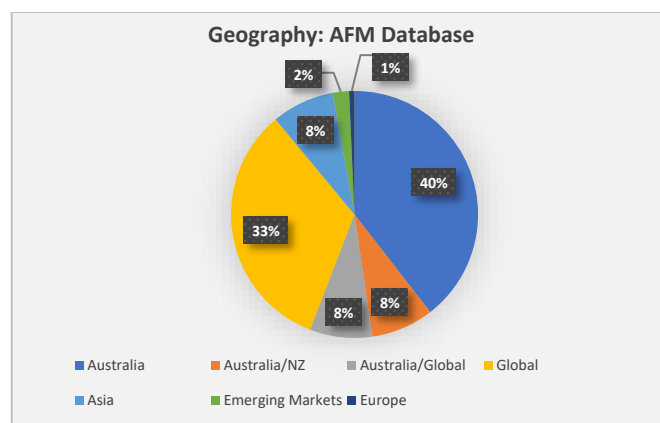
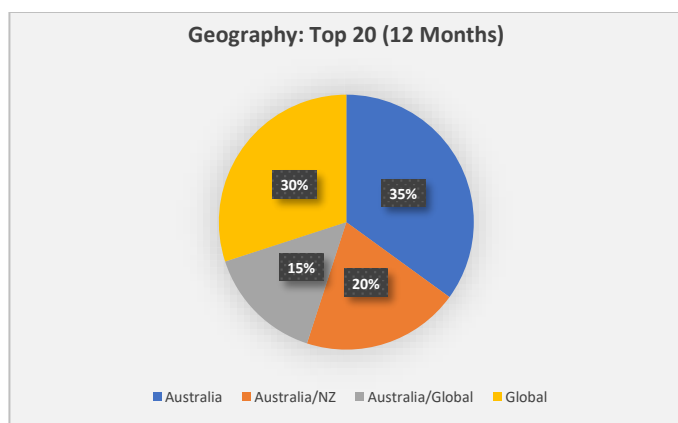
### Strategy, Market Cap and Geographic Mandate



75% of the top 20 funds were long-only, broadly in line with the overall AFM database representation of 73%. Equity Long-Short funds made up the balance of 25% and were overrepresented compared with the underlying database, while no other Equity alternative strategies made the top 20 list. Given the strength of the market and the inevitable drag their short positions created on performance, this absence was not surprising.



Equally unsurprising, given the emphasis on growth versus value for much of the period, was the overrepresentation of funds investing in small and small to medium stocks, with only 5% of the top 20 investing purely in large caps, and a further 5% in the mid to large area.



Geographically, funds investing globally or in Australia/New Zealand were also dominant, with funds investing in Asia, Europe or emerging markets absent from the top 20. Early-stage managers (with less than three or less than five years' track record) were overrepresented in the top 20, but this is consistent with AFM's overall research showing early-stage and managers with lower funds under management typically outperform their larger and older peers.

As shown in Table 1, the average return of the top 20 over the past 12 months was 106.8%. Inevitably the three and five year performance of the current list of top 20 was more varied, with an average three-year return of 13.41%, and an average five-year return of 15.29%.

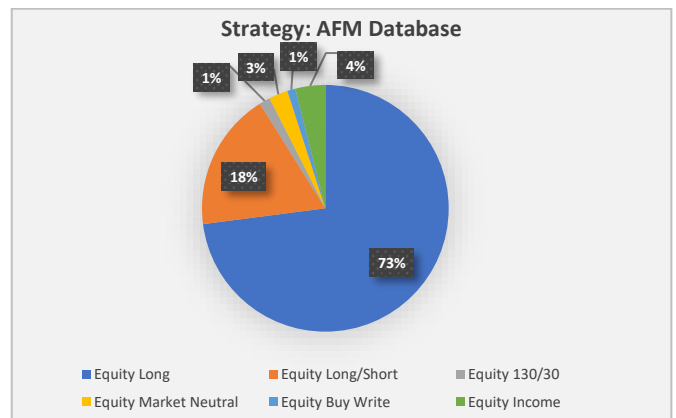
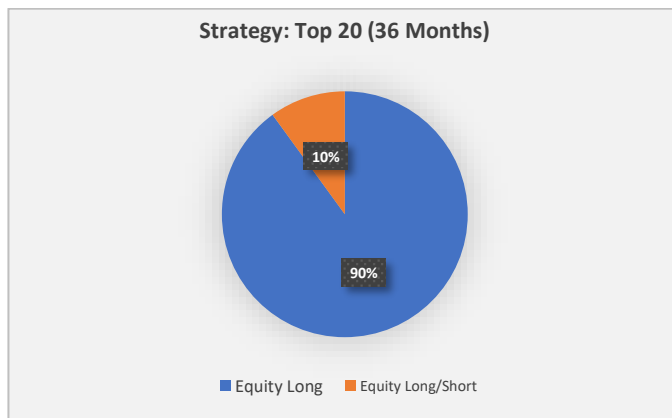
12 month returns averaging 106% are both attractive and appealing, but don't necessarily indicate the ability to produce similar results over the past three and five years - and we would suggest are most unlikely to reproduce them over the next 3 and five years.

Inevitably their three-year returns, and to a slightly lesser degree their five-year returns, have been positively influenced by the past 12 months. As Table 2 below shows, the top 20 funds over three years produced an average of 23.03%, ranging from 19.59% through to a high of 28.76%. Interestingly the average volatility over three years was only marginally less at 19.16%, significantly reducing the average Sharpe ratio.

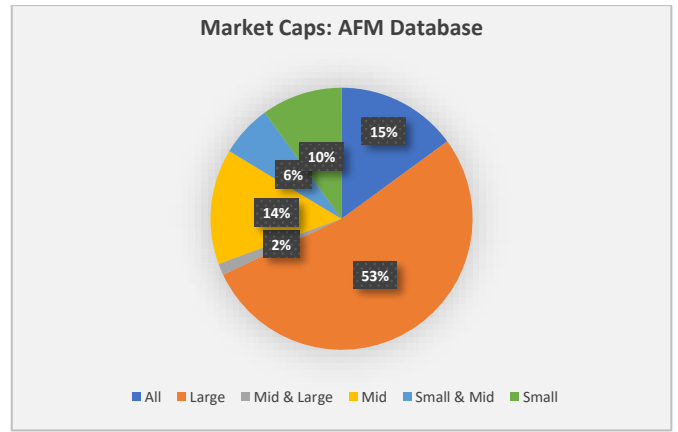
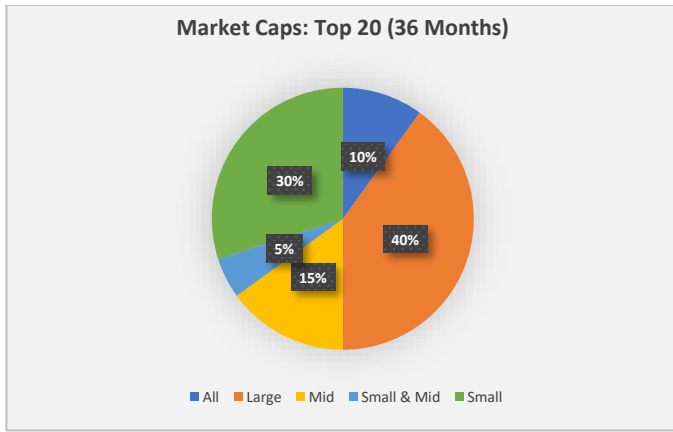
Table 2: Top 20 Funds (36 Months to March 2021)

Fund Name	Market Caps	Strategy	Geographic Mandate	Latest 12 Months	Latest 36 Months p.a.	Latest 60 Months p.a.	Volatility p.a. (36 months)	Sharpe Ratio (36 Months)
Lakehouse Global Growth Fund	Large	Equity Long	Global	48.07%	28.76%	-	13.96%	1.83
Perpetual Global Innovation Share Fund	Large	Equity Long	Global	55.10%	28.20%	-	13.51%	1.85
Hyperion Global Growth Companies Fund (Class B)	Large	Equity Long	Global	49.32%	27.94%	24.69%	15.11%	1.66
Bennelong Emerging Companies Fund	Small	Equity Long	Australia/NZ	105.99%	27.56%	-	33.99%	0.88
Jency Australia Investment Fund	Small	Equity Long	Australia	64.73%	25.49%	20.73%	20.31%	1.18
DMX Capital Partners Limited	Small & Mid	Equity Long	Australia	98.65%	24.89%	20.26%	18.05%	1.28
Loftus Peak Global Disruption Fund	All	Equity Long	Global	39.98%	24.31%	24.58%	14.86%	1.49
Lakehouse Small Companies Fund	Small	Equity Long	Australia/NZ	71.84%	22.65%	-	26.09%	0.89
Zurich Investments Concentrated Global Growth Fund	Large	Equity Long	Global	30.37%	22.27%	20.41%	12.64%	1.6
OC Micro-Cap Fund	Small	Equity Long	Australia	94.70%	21.86%	22.64%	23.79%	0.92
Platinum International Health Care Fund (C Class)	Mid	Equity Long/Short	Global	36.69%	21.57%	19.28%	16.62%	1.21
Acadian Wholesale Geared Global Equity Fund	All	Equity Long	Global	92.11%	21.42%	23.96%	29.81%	0.78
Collins St Value Fund	Large	Equity Long	Australia	82.26%	21.27%	17.55%	22.28%	0.95
Forager International Shares Fund	Small	Equity Long	Global	86.94%	21.25%	18.88%	18.54%	1.09
Artisan Global Discovery Fund	Large	Equity Long	Global	31.07%	20.63%	-	13.66%	1.39
Ellerston Australian Micro Cap Fund	Small	Equity Long	Australia/NZ	92.12%	20.47%	-	25.32%	0.84
Platinum International Health Care Fund (P Class)	Mid	Equity Long/Short	Global	32.68%	20.47%	-	16.01%	1.19
T. Rowe Price Global Equity Fund	Large	Equity Long	Global	41.22%	20.08%	19.97%	12.60%	1.45
Hyperion Small Growth Companies Fund	Mid	Equity Long	Australia	52.94%	19.90%	13.52%	19.61%	0.99
Hyperion Australian Growth Companies Fund	Large	Equity Long	Australia	44.94%	19.59%	13.78%	16.46%	1.12
ASX200 Accumulation Index				37.47%	9.65%	10.25%	17.36%	0.58
S&P500 Accumulation Index				56.35%	16.78%	16.29%	18.14%	0.90
Global Equity				24.91%	12.67%	13.59%	11.69%	1.01
<b>Average (excludes indices)</b>				<b>62.59%</b>	<b>23.03%</b>	<b>20.02%</b>	<b>19.16%</b>	<b>1.23</b>

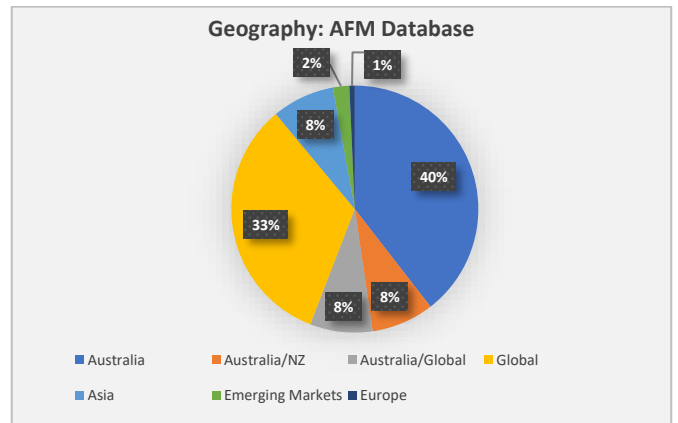
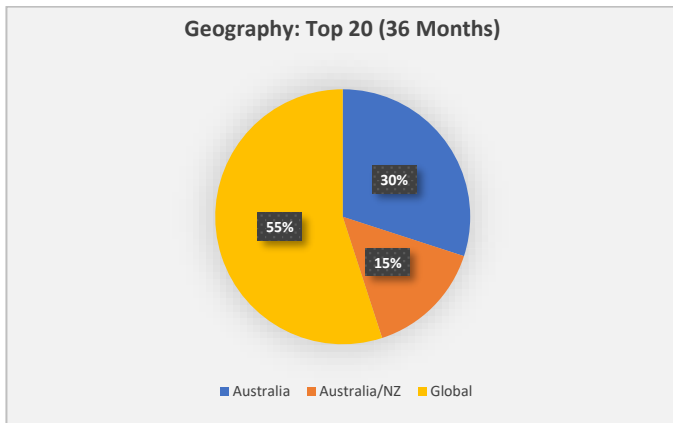
## Strategy, Market Cap and Geographic Mandate



Equity Long funds dominated, most likely due to the effects of the long-term bull market, with long-short managers under-represented (10%) in the top 20 compared with the underlying AFM database.



Funds investing in large cap stocks increased their representation in the top 20 to 40%, but still significantly below the average for the entire database of 53%. Once again small and mid-cap focussed funds were overrepresented compared with the underlying universe.



Geographically, funds investing in Australia and New Zealand made up 45% of the three-year top 20, with the balance investing globally. Once again Asia, Emerging Markets and Europe did not make the top 20.

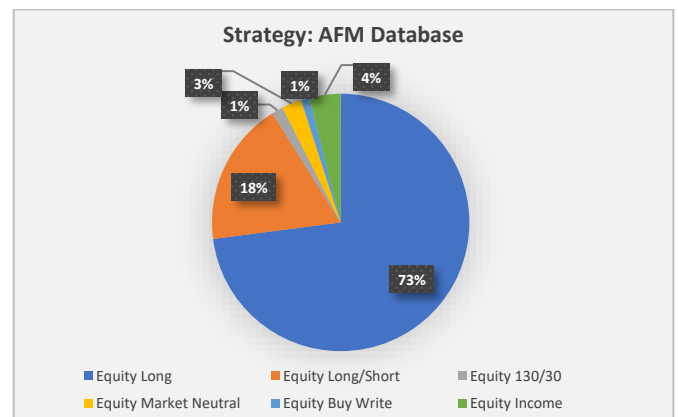
Whilst always appealing to be able to report 12 months returns averaging over 100%, the reality is that the underlying market created the tail winds enabling those managers to take advantage of the extraordinarily strong underlying markets. Over five years, whilst much more subdued at an average return of fractionally under 20%, the performance of the top 20 funds as shown in Table 3 is no less, and possibly more, impressive.

The range or spread of returns becomes much tighter, between 17.2% and 24.69%, and the volatility drops accordingly whilst still producing a Sharpe ratio in excess of 1.

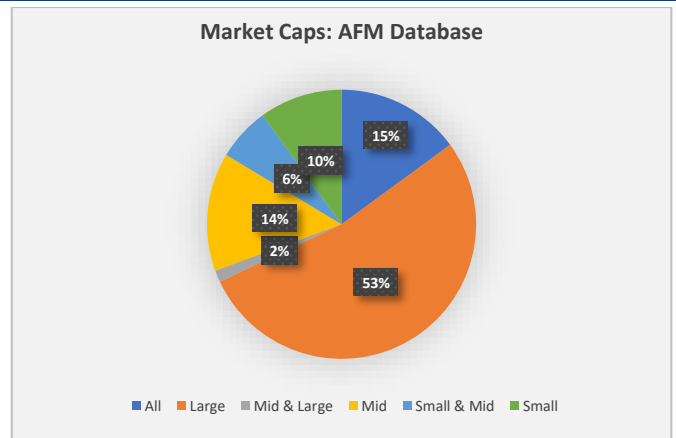
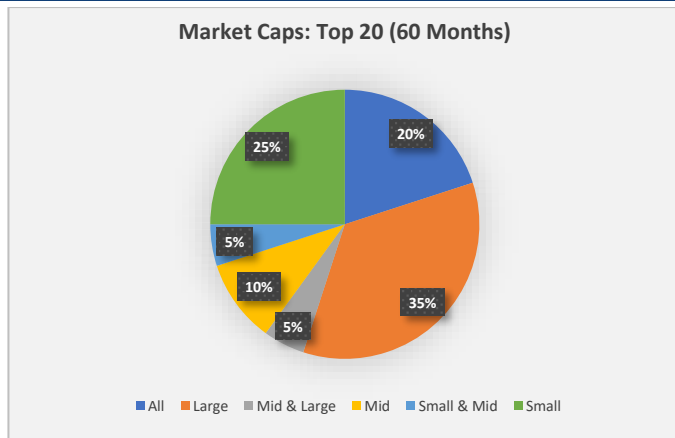
**Table 3: Top 20 (60 Months to March 2021)**

Fund Name	Market Caps	Strategy	Geographic Mandate	Latest 12 Months	Latest 36 Months p.a.	Latest 60 Months p.a.	Volatility p.a. (60 months)	Sharpe Ratio (60 Months)
Hyperion Global Growth Companies Fund (Class B)	Large	Equity Long	Global	49.32%	27.94%	24.69%	13.58%	1.62
Loftus Peak Global Disruption Fund	All	Equity Long	Global	39.98%	24.31%	24.58%	14.21%	1.55
Acadian Wholesale Geared Global Equity Fund	All	Equity Long	Global	92.11%	21.42%	23.96%	24.76%	0.96
OC Micro-Cap Fund	Small	Equity Long	Australia	94.70%	21.86%	22.64%	19.89%	1.08
Jencay Australia Investment Fund	Small	Equity Long	Australia	64.73%	25.49%	20.73%	17.27%	1.12
Zurich Investments Concentrated Global Growth Fund	Large	Equity Long	Global	30.37%	22.27%	20.41%	11.77%	1.55
DMX Capital Partners Limited	Small & Mid	Equity Long	Australia	98.65%	24.89%	20.26%	14.73%	1.26
T. Rowe Price Global Equity Fund	Large	Equity Long	Global	41.22%	20.08%	19.97%	11.34%	1.57
THB US Micro Cap Fund	Small	Equity Long	USA	95.19%	17.58%	19.73%	20.33%	0.94
Platinum International Health Care Fund (C Class)	Mid	Equity Long/Short	Global	36.69%	21.57%	19.28%	14.87%	1.19
SGH Emerging Companies Fund	Small	Equity Long	Australia	113.84%	18.89%	18.98%	23.53%	0.82
Franklin Global Growth Fund	Large	Equity Long	Global	39.07%	18.60%	18.92%	12.96%	1.32
Forager International Shares Fund	Small	Equity Long	Global	86.94%	21.25%	18.88%	15.94%	1.1
Pengana High Conviction Equities Fund	Mid	Equity Long	Australia/Global	59.07%	19.46%	18.82%	20.36%	0.9
Fidelity Asia Fund	Mid & Large	Equity Long	Asia	36.66%	16.94%	18.45%	12.06%	1.38
Panther Trust Australian Shares Investment	All	Equity Long	Australia	47.49%	16.25%	18.06%	16.33%	1.04
Australian Eagle Growth High Conviction Equity Fund	All	Equity Long	Australia	43.69%	14.60%	17.83%	14.43%	1.14
Collins St Value Fund	Large	Equity Long	Australia	82.26%	21.27%	17.55%	18.71%	0.9
Capital Group New Perspective Fund (AU)	Large	Equity Long	Global	34.41%	17.87%	17.26%	11.43%	1.36
Premium Asia Fund	Large	Equity Long	Asia ex Japan	43.06%	14.71%	17.20%	11.72%	1.32
ASX200 Accumulation Index				37.47%	9.65%	10.25%	14.48%	0.68
S&P500 Accumulation Index				56.35%	16.78%	16.29%	14.76%	1.02
Global Equity				24.91%	12.67%	13.59%	10.61%	1.15
<b>Average (excludes indices)</b>				61.47%	20.36%	19.91%	16.01%	1.21

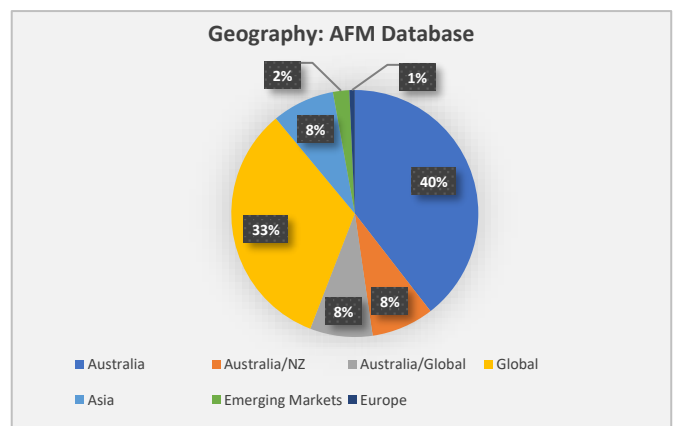
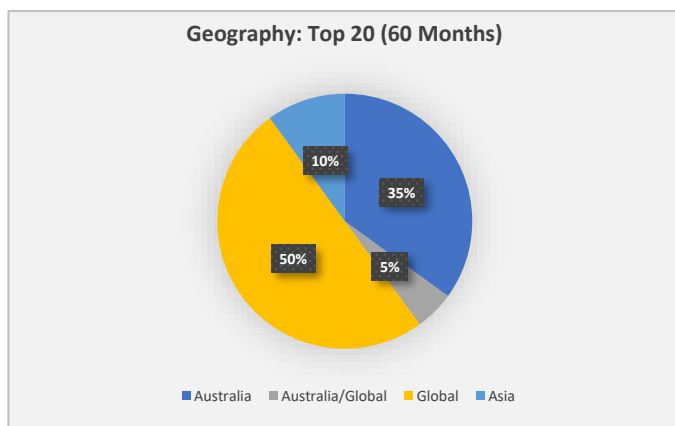
### Strategy, Market Cap and Geographic Mandate



Only one Equity Long-Short manager made it into the top 20 over five years, which is dominated by Equity-Long managers.



Managers investing in smaller and mid cap companies were overrepresented compared with the overall database gain representing the opportunity set in this sector.



50% of the five-year top 20 were investing globally, vs. 33% for the overall database, 40% invested in Australia or Australia/global, and 10% in Asia.

As the risk statement and warnings in every offer document clearly states, “past performance cannot be guaranteed”, equally true is the fact that past performance, particularly over the longer term, is one of the better guides to manager selection.

Given that the [www.fundmonitors.com](http://www.fundmonitors.com) database focuses on “actively managed” funds as opposed to index tracking funds or ETF’s, it is not surprising that there is an over representation of funds investing in the small to mid-cap sector, whether it be locally or overseas. Not only is there a larger numerical selection of companies in the small to mid-cap universe, but they tend to be high growth rather than value, and more likely to be unrepresented in broker research.

The relatively small representation of Long-Short or alternative equity strategies, particularly over a 3 to 5 year timeframe is probably also explained by the extended strong run in equity markets.

Only four managers of the 12 with a five-year track record make the cut across all three timeframes: Acadian Wholesale Geared Global Equity, DMX Capital Partners, Forager International Share Fund, and OC Micro-Cap.

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Of the 13 funds in the Top 20 over 3 years with a five-year track record, 11 also made it in the Top 20 over 5 years: Hyperion Global Growth Companies Fund (Class B), Jencay Australia Investment Fund, DMX Capital Partners Limited, Loftus Peak Global Disruption Fund, Zurich Investments Concentrated Global Growth Fund, OC Micro-Cap Fund, Platinum International Health Care Fund (C Class), Acadian Wholesale Geared Global Equity Fund, Collins St Value Fund, Forager International Shares Fund, T. Rowe Price Global Equity Fund.

And, as noted earlier, only 12 funds in the Top 20 over one year had a five-year track record.

AFM's overarching and ongoing recommendation is not to invest in single funds. Diversification provides the greatest level of risk protection available.

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## Custom Statistics

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Our Custom Statistics tool allows subscribers to see detailed statistics on the performance of all 600+ funds on the AFM database over any time period. [Click here](#) to learn more.

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