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Renaissance of the value fundies

Value fund managers who stuck to their investment process during the tough years leading into the COVID-19 pandemic have been vindicated with the release of strong March quarter performance figures.

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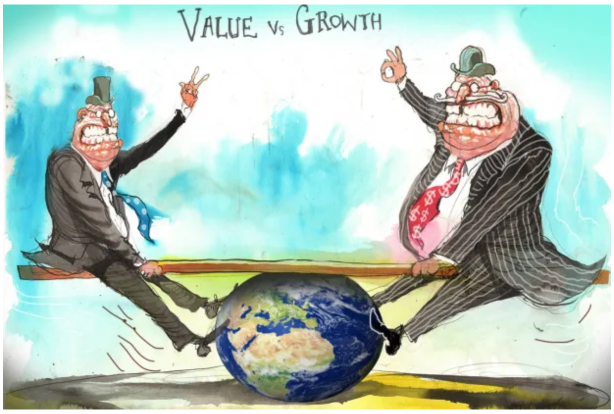
The value fund managers who found themselves out of favour a year ago because of poor performance have shot back into prominence after a strong six months to the end of March.

The latest performance numbers, prepared exclusively for Chanticleer by Morningstar, show that the great rotation into value stocks has helped leading value fundies – Allan Gray, Lazard, Maple-Brown Abbott and Perpetual – deliver outstanding returns over the past year.

Allan Gray, which prides itself on contrarian investing, had a 32.49 per cent return for the half year to March making it the top performing value manager over the period. Its flagship fund was up 49 per cent for the year to the end of March.



The rotation into value stocks led some fund managers to deliver outstanding returns over the past 12 months. David Rowe

Perpetual's flagship Wholesale Australian Fund had a 26 per cent return for the six months to March and a full-year return of 50 per cent. Other value funds under the Perpetual umbrella did well, including the Pure Value Share Fund which was up 58.9 per cent for the year.

Returns for other prominent value fundies were: Maple-Brown Abbott's Australian Share Fund up 43 per cent for the year to March; Lazard up 32 per cent for the year, and Perennial Value Australian Shares Trust up 49 per cent.

The best performing value fund was the Collins St Value Fund, up 82 per cent for the year to March 31.

One unusual outlier in the value fundie league table was Investors Mutual. Its Concentrated Australian Share Fund only rose 17 per cent in the half year and 24 per cent in the full year.

These would normally be performance figures to boast about. But it does not look so good relatively speaking, given the average performance of the peer group over a one-year period was 43 per cent.

The three-year performance numbers show how much ground the value fundies have to make up following the prolonged cyclical downturn in value

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investing. The average annual return for the 71 value funds in the survey was 6 per cent over three years compared to a 9.5 per cent annual return for the S&P ASX300 index.

The Morningstar data provides a reminder that so many investors continue to be attracted to the growth investment style. In the short term and longer term, growth delivers high returns relative to value and to benchmarks.

Over three years the top five growth fundies had returns in excess of 14 per cent a year and over one year the three top performing funds were: Smallco Broadcap 65 per cent, Bennelong Australian Equities 60 per cent and BlackRock Australian Share Plus 53 per cent.

Fundies with a mix of value and growth are classified by Morningstar under the heading "blend". The top three performing managers in the year to March were Prime Value Emerging Opportunities Fund up 63 per cent, Katana Australian Equity Fund 62.6 per cent and Bombora Special Investments Growth up 61.8 per cent.

When it comes to international fundies, the past six months has been a mixed bag, according to the Morningstar data.


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Prominent fund manager Magellan Financial Group's flagship Magellan Global Fund had a negative 0.85 per cent return for the six months to March and 4.5 per cent return for the year.

Over the same periods, the MSCI World Accumulation Index in Australian dollars and unhedged was up 12.5 per cent and 23.8 per cent respectively.

The three best fundies in the large blend category were: the ARK Global Innovation Fund up 113.4 per cent for the year, the Forager International Shares Fund up 86.96 per cent and the Platinum International Brands Fund up 63.4 per cent.

It is clear that the growth investment style had a tough six months with the average return being 10.47 per cent compared to the MSCI World Accumulation Index being up 12.5 per cent.

Tony Boyd is the Chanticleer columnist. He has more than 35 years' experience as a finance journalist. *Connect with Tony on Twitter. Email Tony at tony.boyd@afr.com*

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