Zenith
Investment Partners

Zenith Media Release

Active Global managers outperformed in 2015, says Zenith

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Global equity markets continued to deliver excellent returns for investors in 2015 with the median active manager outperforming the benchmark over the last 12 months according to Zenith Investment Partners' 2015 Global Equity Sector Review released last week. Performance for the MSCI World Index ex-Australia in $A for the 12 months ending 30 September 2015 was 18.9%, and for the 3 year period ending 30 September 2015, an impressive 24.2% p.a.

Zenith's lead analyst on the Global Equity sector Quan Nguyen said "There are a number of key reasons that explain why a greater proportion of active managers have outperformed the benchmark over the last 12 months compared to the past couple of years. One of the reasons has been the significant increase in the level of performance dispersion in the markets, at both a sector and geographic level. Greater performance dispersion has meant there have been greater opportunities for active managers to add value through stock selection and portfolio construction, and active managers have taken advantage of the situation".

The proportion of actively managed global equity funds on Zenith's Approved List that outperformed the benchmark was 55% for the 12 months to September 2015.

Nguyen added, "Although the majority of actively managed funds employ a bottom-up stock selection approach, the key to outperformance has been making the right calls in certain geographies and sectors. Namely: being overweight North America relative to the rest of the world, overweight Developed Markets relative to Emerging Markets, and overweight in the Consumer, Information Technology, and Healthcare sectors relative to the Energy and Materials sectors".

On the question of Growth outperforming Value, Nguyen commented that "While the long-term analysis shows Value outperforms Growth, in recent times we have witnessed Growth style managers generally outperforming their Value style counterparts. We believe that has been driven by the continued outperformance of particular segments of the market that are typically associated with the Growth style of investing. On the flipside, sectors that Value style managers typically hold or top up on weakness have continued to underperform". Nguyen went on to add "Clearly, certain market cycles are going to be more conducive to Growth over Value, and vice versa, so investors should not underestimate the importance of blending both styles to achieve a more balanced and consistent set of outcomes".

Nguyen also noted: "We have seen an increased level of interest from clients and investors who want to exclude tobacco related securities from their portfolio. We have also seen managers react to this by changing both mandate guidelines and benchmarks to specifically exclude tobacco stocks. In addition to the sector review identifying key trends, providing a look through analysis of sector and regional exposures, details on the new funds Zenith added to the Approved List, and ratings changes, we have highlighted those funds that specifically exclude tobacco. Of the 110 funds with ratings in this sector, 24 funds specifically exclude tobacco".

Summary of the Zenith 2015 International Shares Sector Review

From an initial investment universe of 227 International Shares products, the ratings outcome for Zenith's APL for the sector was as follows:

- Highly Recommended – 14 funds
- Recommended – 80 funds
- Approved – 16 funds

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Notes to the editor: A copy of the Zenith 2015 International Shares Sector Report is available on request from Zenith PR Consultant Joe Perri & Associates – contact details listed below.

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