



Zenith 2014 Australian Small Companies Sector Review: Small Caps Managers Outperform Again

Tuesday March 11, 2014. Following the strong calendar year that was 2012, where Zenith's rated small cap managers, on average, outperformed the benchmark by 14.75%, not many would have predicted the same level of outperformance to continue.

However, Zenith's rated funds performed even better in 2013, outperforming the benchmark by 17.82%, on average.

Fund outperformance for 2013 was driven largely by the divergence in the performance of the Industrials and Resource sectors, as was the case in 2012. More specifically, the substantial underperformance of small resource companies.

The natural question that would arise would be "can these levels of outperformance continue?" According to Quan Nguyen, Investment Analyst at Zenith Investment Partners, "We believe that continued fund outperformance that is driven by overweighting Industrials relative to Resources will be limited, particularly given the relative valuations and weightings of the sectors."

Nguyen goes on to say, "Although it is difficult to see the same levels of outperformance persisting, we believe attractive investment opportunities continue to arise, especially through the recent influx of Initial Public Offerings (IPO)."

"With significant levels of outperformance by managers in this space, total fees charged have increased progressively over the last three years, largely driven by performance fees. As such, fees have become an area of focus. While performance fees have been high, on average, Zenith notes that they are only paid when funds outperform, thus investors would have also benefited from higher returns."

From an initial investment universe of 57 Australian Small, Micro and Mid Cap products: 3 were rated "Highly Recommended"; 21 "Recommended"; and 10 were assigned an "Approved" rating.

NOTE: Journalists that would like a copy of the Zenith Sector Review of Australian Small Companies – please contact Mr Joe Perri of Joe Perri & Associates, details below.

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