

SUNDAY STAR TIMES, 23 JAN 2000, Edition A, Page 3.

Asian theme dominates return lists

By: NINNESS Greg

THE economic recovery in Asia allowed New Zealand's top performing managed fund of 1999 to post a whopping after tax return of 102%, according to funds analyst Morningstar.

Investors in Sovereign's Far East Superannuation Fund would have doubled their money last year, with the fund's 102.97% return after tax and fees putting it at No 1 on Morningstar's list of top performers for 1999.

The strong recovery in Asia and its flow-on effect into Asian share prices meant managed funds investing in emerging markets and Asia dominated this year's Top 10 lists, providing nine of the Top 10 retail unit trusts and group investment funds (GIFs) and all of the Top 10 superannuation funds (see tables).

Only one of the Top 10 unit trusts did not invest in Asia or emerging markets -- the NZ Guardian Trust Small Companies Fund, which provided a 52.1% return for the year.

The top performing unit trust was New Zealand Funds Management's Global Emerging Markets fund with a return of 67.63%.

Fixed interest and property funds took a hammering during the year, with many funds investing in those securities posting a loss.

Ironically, this meant Sovereign, a subsidiary of ASB Bank, also headed Morningstar's list of worst performers, with its International Fixed Interest fund topping the list of worst performing super funds with a net return of -6.71%.

According to Morningstar, 22 of the 229 retail superannuation funds on offer posted negative returns for last year, while 13 of the 198 unit trusts and GIFs showed losses.

However Sovereign's general manager of investment, Wayne Ross, was philosophical about the company topping both lists.

"You have to take the good with the bad," he said.

Ross said the exceptionally strong performance of its Far East Fund was driven by developments in Japan, where 85% of the fund was invested.

Sovereign took a five-year view of its investments, which allowed it to ride out the ups and downs, he said.

This meant it maintained its investment in Japan during difficult times and benefited when the market improved such as last year when some share prices in Japan soared by as much as 300%.

The small negative return on the company's fixed interest fund wasn't too bad considering 1999 was one of the worst years ever for fixed interest investments.

This was because fixed interest securities, such as government bonds, were tradeable commodities with a capital value, as well as an income value.

When interest rates rose strongly last year it depressed the trading price of fixed interest securities and the value of the funds which owned them.

But the results demonstrated the benefits of diversification, Ross said.

Anyone who invested in both the Fixed Interest and Far East funds would have done extremely well for the year.

Ross said the this year's outlook was for continuing strong performances from many international markets.

Western Europe's economy was expected to follow a similar growth pattern to the US while emerging markets such as Asia and Eastern Europe were also looking promising, he said.

But Ross tempered that optimism with a warning those markets could be volatile, which reinforced the benefits of diversifying investments.

* The managed funds table on page E4 gives the 1999 performance figures for all NZ Insurance Bonds and Super Trusts, as well as their Morningstar performance ratings. Next week's table will give the 1999 performance figures for NZ and Australian unit trusts.

CAPTION:

WIN SOME, LOSE SOME . . . Sovereign's Wayne Ross

Part: E

Section: BUSINESS

Topics: ECONOMIC CONDITIONS ; INVESTMENT

Sub-Topics: SOUTH ASIA

© News Media (Auckland) 2000, All rights reserved.