

fatcat

Funds Report

2014

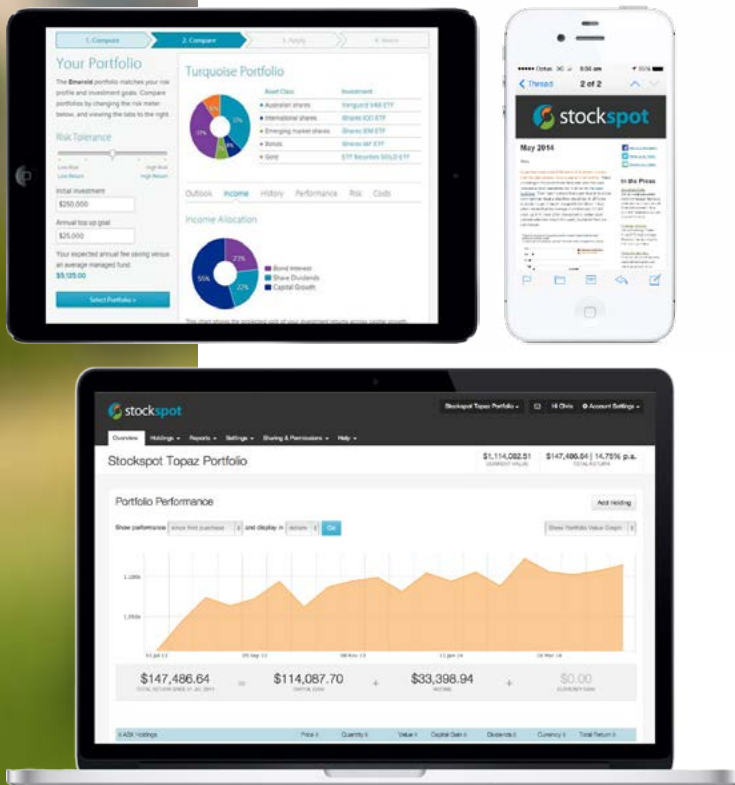


About us



Stockspot helps anyone invest like an expert at a fraction of the cost.

Stockspot is Australia's first online investment adviser and fund manager. Our vision is to enable anyone to access professional investment services at a fraction of the cost. We break down the barriers to investing by offering an honest, transparent, automated investment service with low fees. For more info visit www.stockspot.com.au or contact us at invest@stockspot.com.au



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Introduction

With the Australian stock market approaching 5 year highs, funds investing in Australian equities are once again popular with retail investors as their memories of the Global Financial Crisis (GFC) fade.

Yet the reality is that the funds management and superannuation industry regularly overpromises and under-delivers. A growing body of research has been exposing the fee rort within Australian funds management and superannuation industry. The April 2014 Grattan Institute Report entitled "The Super Sting: How to stop Australians paying too much for superannuation" estimated that superannuation fees would have to be cut in half, from \$20 billion to \$10 billion per year to bring Australia in line with comparable pension systems around the world. The Grattan Report found that "Australian funds charge fees that are three times the median OECD rate, on average" and that "costs are too high in Australia because the system assumes that account holders will make choices that will generate pressure for lower fees. Yet this approach has not worked for decades".

Many investors put up with extended periods of weak or average performance by either not monitoring their investments regularly, receiving poor service from the adviser who originally

recommended the investment or through simple inertia. It is a problem likely to grow as greater numbers of investors are choosing to take control of their own investments and superannuation and doing so without advice because of the inherent conflicts of interest within the financial advice industry.

Stockspot has been actively campaigning to raise awareness of poor fund performance by shining a spotlight on those funds that are amongst the worst performers. In 2013 we published a report into 496 of Australia's largest managed funds, finding that 45% of returns were paid away in fees between 2008-2013.

In 2014 we have expanded our coverage to include superannuation funds and have launched our inaugural Fat Cat Funds Report. We do not expect this report to win any popularity awards from fund managers or the big banks who control a vast amount of the investment products in Australia via their platforms. Despite consuming billions in fees each year, we have found that Australian equity managed funds and superannuation funds continue to underperform their benchmarks in aggregate. Unfortunately very little information is published on this huge financial drag on the wealth of Australians. Funds are heavily promoted when

they are doing well but very few are beating their benchmarks over the longer term.

One reason for this lack of consumer education lies in the fact that fund performance data is very difficult to collate and compare. Performance and fee data is carefully guarded by a few gatekeepers whose interests are typically aligned to selling the funds rather than keeping them in check. Our hope is that with more transparency brought on by 'big data' capabilities, accountability for funds and platforms will improve.

The large number of conferences, cocktail events and awards organised by the funds management industry give the impression that significant value is being added for consumers. The reality is that the industry has grown obese on Australia's superannuation savings. Funds and platforms have remained largely unaccountable for poor performance and high fees. Similar to the findings of the Grattan Report, our research suggests that fees would need to fall between 28% and 32% for just half of super fund managers to beat their benchmark. That's a huge reduction in fees required to generate even mediocre performance.

Meanwhile the ratings businesses who should be providing an objective assessment of performance to consumers are



inherently conflicted since they are paid by the very funds that they rate. As a result, fund ratings are artificially inflated to fit normal distribution curves so that the funds will continue to pay the ratings businesses for their stars and coloured ratings badges.

In reality it is questionable whether ratings provide any tangible performance information to investors going forward.

A [2010 study by Vanguard](#) into US managed funds showed that Morningstar-rated 5 star funds had a 39% chance of outperforming their benchmark over 3 years whereas the lowest rated 1 star funds had a 46% chance of outperforming. Vanguard concluded that "quantitatively based rating systems do a tremendous job of explaining past performance, but generally offer little insight into future performance."

The Fat Cat Funds Report represents only the tip of the iceberg in terms of funds that consistently disappoint as the quantitative filters we have applied are designed to focus on the very 'worst of the worst'. For every fund highlighted in the report, there are many more that are also underachieving.

Our message is simple: no matter how thoroughly you researched your choices ahead of investing, the fate of funds can change over time. If you are going to invest in actively

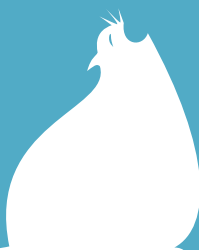
managed funds, it is vital to closely monitor your investments. The alternative option for long term investors are passive funds which are readily available via ASX listed Exchange Traded Funds (ETFs). Passive funds simply track their benchmark and as a result their fees are typically a fraction of active managers. In many developed markets like Australia, passive funds have outperformed active funds on average after fees over the last decade. Despite this fact, over 90% of the funds managed in Australia are actively invested and accrue much higher charges. With education we hope to change this and swing the pendulum back in favour of the investor.

It is also worth noting that we have only covered investment fees in this report. In reality when consumers buy and sell managed investment products or superannuation products there can also be a list of other fees payable. These include but are not limited to platform fees, administration fees, bid/ask spreads, entry fees, exit fees, advice fees and performance fees. Therefore many consumers end up paying well in excess of 3% per annum in fees when these additional costs are

accounted for. In an environment of low returns this is clearly hindering investors' ability to achieve their desired financial outcomes.

Further, investors need to pay attention to how they choose to access superannuation and managed fund products. As evidenced by the findings of this report, investors can often access the same fund product via several channels which can have an enormous impact on returns over time. Platforms owned by the big four banks and listed wealth managers like AMP and Perpetual typically add additional layers of fees which can often be avoided by investing directly with the underlying fund manager. An increasing number of DIY investors and independent advice providers have realised this fact and now access investment products directly via fund managers, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs) or the mFund Settlement Service, often greatly reducing their upfront and ongoing fees.

Research Highlights



75
Fat Cat Funds

Our filters have identified 75 'Fat Cat Funds' (managed investment products and superannuation products) in this inaugural edition of the Fat Cat Fund Report. The level of assets in these funds is not disclosed by the managers but believed to be in the billions of dollars in total. These funds represent 14.8% of our sample universe.

S&P/ASX 200

S&P/ASX 200 Benchmarked
Managed Investment Fund
products
Most Fat Cat Funds



S&P/ASX 200 Benchmarked Managed Investment Fund products have the largest number of Fat Cat Funds at 30 (30.9%).



S&P/ASX 300

S&P/ASX 300 Benchmarked
Managed Investment Fund products
Least Fat Cat Funds

S&P/ASX 300 Benchmarked Managed Investment Fund products have with the smallest number of Fat Cat Funds at 10 (7.1%).

S&P/ASX 300

S&P/ASX300 Managed
Investment Funds
Outperformed the
benchmark over 3 years



On a more positive note, the average S&P/ASX 300 Managed Investment Fund outperformed the benchmark over 3 and 5 years. This is likely to be due to a tilt towards industrial and dividend paying stocks and out of small capitalisation resources by the majority of fund managers over this period.

Large capitalisation fund managers tend to have a much tougher time outperforming the index than mid-cap fund managers. Only one S&P/ASX 200 benchmarked manager beat the index over 1, 3, and 5 years and by over 10% in aggregate over that time. This finding is in line with other academic and industry research including the [SPIVA Australia Scorecard](#).



LARGE CAP FUND MANAGERS

Struggle to outperform
the index

89% of the Fat Cat Funds are sitting on platforms owned by the big four banks, Perpetual or AMP. This can be largely explained by the higher fees charged by platforms versus off platform managed investment and superannuation products. We believe that most platforms started life as an administration solution for the back office of the financial advice industry and while many are feature-rich, few have evolved to service the needs of consumers in today's market, particularly when it comes to providing access to sensible low-fee investment options.

**BIG PLATFORMS
HAVE 89%** of all Fat
Cat Funds



ANZ/OnePath had the most Fat Cat Funds (21) including a Vanguard Australian Shares Index fund which managed to underperform the Index by 11.98% over 5 years thanks largely to a 2.32% per annum fee.



ANZ/OnePath
Most Fat Cat Funds

How we identify Fat Cat Funds

Stockspot's Fat Cat ratings are based solely on statistical criteria relating to a fund's past performance. Here we explain the methodology.

Over the last couple of decades the fund management industry has become increasingly competitive. Markets trade globally around the clock, information is disseminated within seconds and large companies in particular are analysed in detail by scores of analysts at banks, brokers and fund managers all of whom are trying to find an edge.

It is unsurprising then that fund managers need to be really good just to be average. If you are going to invest in actively managed funds, you need to be very selective in choosing those managers with the skill to deliver superior returns that justify their fees. Most fund managers do not achieve this over the long term.

The Fat Cat Fund Report is focused on identifying those funds that warrant special attention because they have performed particularly badly compared to their benchmark over a reasonable time period and consistently so.



OUR UNIVERSE AND BENCHMARKS

- We have analysed Australian domiciled Managed Investment Funds and Superannuation Products that are benchmarked to either the S&PASX/200 or S&PASX/300. We have not considered multi-asset or global funds in this report. Industry funds are not covered in this report because performance data was not readily accessible.
- We only consider funds that have readily available data on performance and fees and have existed for at least 5 years.
- We exclude geared funds because of the absence of like-for-like benchmarks.

FAT CAT FUNDS

We apply two filters to identify Fat Cat Funds. First we filter the fund universe to identify those funds that have failed to beat their benchmark over 1, 3 and 5 years on a cumulative basis. This filter is used to highlight those funds that have consistently underperformed and to strip out those that may simply have had a short-run of bad luck. However, if this was the only filter it would generate a huge list of funds including all index trackers as these are bound to regularly underperform at least slightly due to their fees. We therefore apply a second filter: the fund must have underperformed its benchmark by 10% or more over the entire five-year period of analysis.

IN THE KITTY LITTER

The very worst performing Fat Cat Fund in each category over 5 years.



GOLDEN CAT FUNDS

We also wanted to acknowledge those funds which have consistently outperformed over long periods. To be fair we have employed the converse filter to identify such top performing funds. First we filter the fund universe to identify those funds that have beaten their benchmark over 1, 3 and 5 years on a cumulative basis. We then apply a second filter: the fund must have beaten its benchmark by 10% or more over the entire five-year period.

PURR-FECT PERFORMER

The very best performing fund in each category over 5 years.





Should you leave a fund if it is a Fat Cat?

There are many reasons why funds go through periods of poor performance. Deciding whether to stay invested or switch is all about assessing its future prospects and whether you might be able to do better elsewhere.

It is important to stress that the Fat Cat Funds Report is not a list of funds that should be automatically exited, as it is based purely on factual analysis of past performance which is not necessarily a guide to how it will perform in the future. There may be good reasons to believe the future potential of these funds are better. For example, there are many different ways of investing and some funds have distinctive styles or investment approaches that can go through periods that are out of kilter with the current markets, but could be about to come back into favour. Some managers are better suited to volatile markets, others to rising stocks.

It can also be the case that action is underway to improve performance. For example if a new fund manager with a strong, proven track record elsewhere is appointed or a change of investment approach is now being applied to a fund that has historically underperformed, performance could be turned around.

So, the Fat Cat Funds Report is not a 'sell' list. However funds that appear in it do require further investigation. Unless there are good reasons to believe performance will turn around based on an assessment of its prospects, it may make sense to look at alternative investment options.

Fat Cat Awards



ANZ/ONEPATH

With 21 Fat Cat Funds, the highest average fees and additional exit fees to boot, ANZ/OnePath is this years fattest cat.



MLC (NAB) + COLONIAL FIRST STATE (COMMONWEALTH BANK)

MLC and Colonial First State tie second with 13 Fat Cat Funds each.

As some consolation MLC also had the best performing fund in 2 of the 4 categories.



AMP/AXA

With 8 Fat Cat Funds, AMP/AXA is the third best fed.

FEE-LINE FINALISTS

BT/Advance (Westpac) with 6 Fat Cat Funds.

BT also had the unfortunate honour of the worst performing fund in 3 of the 4 categories.

Perpetual with 6 Fat Cat Funds



How to read the data

SUMMARY

	Funds	Fat Cat Funds	Percentage of Fat Cats
Universe:	A	B	C
Average fund fee per annum:			D
Average fund fee as % of average fund returns over 5 years:			E
Difference between best and worst fund 5 year performance:			F

Name	Annual fee	1 year return	3 year return (p/a)	5 year return (p/a)	Value of \$100 invested for 5 years
Benchmark		G	H	I	J
Average fund		K	L	M	N

- A. Number of funds in the named universe
- B. Number of funds that met the Fat Cat Fund criteria
- C. Percentage of funds that met the Fat Cat Fund criteria
- D. Average annual investment fee charged by funds within the universe as at 1/10/2014
- E. Average annual investment fee represented as a percentage of benchmark returns over 5 years
- F. Difference between top and bottom performer in percentage terms over 5 years
- G. 1 year total return to 1/10/2014 of the listed benchmark
- H. 3 year annualised total return to 1/10/2014 of the listed benchmark
- I. 5 year annualised total return to 1/10/2014 of the listed benchmark
- J. Value of \$100 invested in benchmark return (no fees) for 5 years to 1/10/14
- K. 1 year total return to 1/10/2014 of the average fund within the universe
- L. 3 year annualised total return to 1/10/2014 of the average fund within the universe
- M. 5 year annualised total return to 1/10/2014 of the average fund within the universe
- N. Value of \$100 invested in the average fund within the universe for 5 years to 1/10/14

FAT CAT FUNDS

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out/under-performance (%)
	O	P	Q	R	S	T

- O. APIR Codes are standard identifiers for financial products
- P. Annual investment fee charged by the named fund as at 1/10/2014
- Q. 1 year total return to 1/10/2014 of the named fund
- R. 3 year annualised total return to 1/10/2014 of the named fund
- S. 5 year annualised total return to 1/10/2014 of the named fund
- T. Percentage outperformance or underperformance of the named fund versus the benchmark over the 5 years to 1/10/2014



SUMMARY

	Funds	Fat Cat Funds	Percentage of Fat Cats
Universe:	97	13	13.40%

Average fund fee per annum:	1.51%
Average fund fee as % of average fund returns over 5 years:	21.00%
Difference between best and worst fund 5 year performance:	40.28%

Name	Annual fee	1 year return	3 year return (p/a)	5 year return (p/a)	Value of \$100 invested for 5 years
Benchmark		7.00%	15.07%	7.18%	\$141.44
Average fund	1.51%	5.34%	14.46%	6.73%	\$138.48
PURR-FECT PERFORMER: Suncorp Fidelity Aust Equities in AU	0.85%	8.90%	16.91%	9.37%	\$156.49
IN THE KITTY LITTER: BT PPS Super BlackRock Wholesale Australian Share in AU	2.35%	0.54%	10.87%	3.05%	\$116.21

Source: Financial Express. No unauthorised copying.

GOLDEN CATS (1 FUND)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
Suncorp Fidelity Aust Equities in AU	RSA0450AU	0.85	8.90	16.91	9.37	15.05

Source: Financial Express. No unauthorised copying.



Commentary:

Only the Suncorp Fidelity fund was able to beat the index over 1, 3 and 5 years and by over 10% over 5 years. While Colonial First State, BT, MLC, ANZ and Perpetual also offered a Fidelity Australian Equity fund on their platforms, none made the list because of the drag their higher fees had on returns. The ANZ/OnePath OneAnswer Fidelity Australian Equity fund with its fee of 2.85% (exactly 2% more than the Suncorp fund) underperformed the Suncorp Fidelity fund by 13.5% over the 5 years and only just scraped in ahead of benchmark return. This shows the large impact platform related fees can have on even the best performing funds.

FAT CAT FUNDS (13 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
BT PPS Super BlackRock Wholesale Australian Share in AU	WFS0159AU	2.35	0.54	10.87	3.05	-25.23
MLC MK Superannuation FS Australian Share in AU	MLC0438AU	2.67	2.88	11.08	3.99	-19.83
OnePath OA Per Sup AMP Capital Responsible Investment Leaders Australian ShrEF NEF in AU	MMF1115AU	3.10	2.89	13.35	4.32	-17.89
Perpetual WF Super AMP Capital Sustainable Share in AU	PER0200AU	1.98	4.76	11.71	4.40	-17.42
MLC MK Superannuation GS Australian Share in AU	MLC0428AU	2.11	3.36	11.60	4.48	-16.94
CFS First Choice BlackRock Australian Share PersSuper in AU	FSF0281AU	1.89	3.63	14.25	5.15	-12.9
MLC MK Superannuation FS Share Index in AU	MLC0437AU	2.34	4.75	12.27	5.24	-12.35
MLC MK Superannuation GS Australian Share Growth Style in AU	MLC0514AU	2.06	4.52	10.82	5.26	-12.22
Perpetual WF Super Arnhem Australian Equity in AU	PER0198AU	1.98	1.82	12.77	5.38	-11.48
MLC Navigator SS LSO Aviva Investors High Growth Shares in AU	NUL0313AU	1.05	3.55	12.30	5.52	-10.62
OnePath OA Per Super Merlon Australian Share Income NEF in AU	MMF1117AU	2.90	3.43	12.34	5.53	-10.56
AMP Flex LifetimeSup & CustomSup Responsible Inv Leaders Aust Share in AU	AMP1032AU	2.30	4.65	13.20	5.58	-10.25
Perpetual WF Super MapleBrown Abbott Imputation in AU	PER0199AU	1.98	4.85	13.46	5.60	-10.12

Source: Financial Express. No unauthorised copying.



Commentary:

All of the big four bank platforms made this Fat Cat list where the average annual fee came in at 2.21%, representing 30.8% of the total benchmark return. This means that for every \$1 of returns generated by the market, 30c was paid to these fund managers. This average fee is also 46% higher than the average fund in this category. High fees would appear to be a large contributing factor to the poor performance of most of these Fat Cat Funds.

KEY OBSERVATIONS

35%

Beat the market after fees
(34 funds)



65%

underperformed the
market after fees (63 funds)

<1.25% in fees

54% chance of beating benchmarks

Funds that charged less than 1.25% per annum in fees over the last 5 years had a 54% chance of outperforming the benchmark over that time.

>1.25% in fees

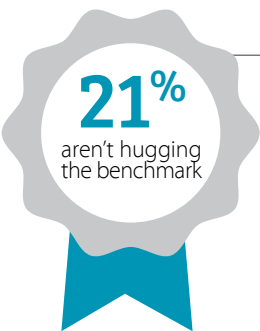
16% chance of beating benchmarks

Funds that charged more than 1.25% per annum in fees over the last 5 years had a 16% chance of outperforming the benchmark over that time.

Fees should be reduced by

32%

Super fund managers would need to have reduced their fees by 32% or 0.48% per year on average over the last 5 years to 1.03% in order for 50% of funds to have beaten the market.



Only 21% of fund managers achieved a return outside of the benchmark +/- 10% over 5 years. This shows that most active Australian equity managers are closet index huggers.

SUMMARY

	Funds	Fat Cat Funds	Percentage of Fat Cats
Universe:	174	22	12.60

Average fund fee per annum:	1.56%
Average fund fee as % of average fund returns over 5 years:	22.5%
Difference between best and worst fund 5 year performance:	85.39%

Name	Annual fee	1 year return	3 year return (p/a)	5 year return (p/a)	Value of \$100 invested for 5 years
Benchmark		6.79%	14.66%	6.92%	\$139.73
Average fund	1.56%	5.37%	14.55%	6.96%	\$140.01
PURR-FECT PERFORMER: MLC MK Business Superannuation Perpetuals Wholesale Ethical SRI in AU	1.00%	8.97%	26.87%	15.46%	\$205.19
IN THE KITTY LITTER: BT Lifetime Super Employer Plan ING Australian Shares in AU	2.05%	0.09%	11.20%	3.68%	\$119.81

Source: Financial Express. No unauthorised copying.

GOLDEN CATS (14 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
MLC MK Business Superannuation Perpetuals Wholesale Ethical SRI in AU	MLC0468AU	1.00	8.97	26.87	15.46	65.46
MLC MK Super Perpetuals Wholesale Ethical SRI in AU	MLC0694AU	1.00	8.97	23.46	14.35	55.78
MLC MK Business Superannuation Investors Mutual Australian Share in AU	MLC0466AU	0.92	9.32	20.29	12.04	36.82
MLC MK Super Investors Mutual Australian Share in AU	MLC0687AU	0.92	9.32	17.26	11.04	29.08
ANZ ASA Investors Mutual Australian Shares in AU	ANZ0957AU	1.13	9.27	17.85	10.72	26.66
Perpetual WF Super Perpetual Concentrated Equity in AU	PER0221AU	1.98	8.17	16.82	10.45	24.64
CFS First Choice Investors Mutual Wholesale Australian Share PersSuper in AU	FSF0592AU	1.25	8.38	16.05	9.80	19.86
OnePath Corporate Super Investors Mutual Australian Shares in AU	MMF0530AU	2.07	6.89	15.92	9.62	18.56
BT Business Super Investor Mutual Australian Shares in AU	WFS0375AU	2.53	7.55	15.87	9.58	18.27

GOLDEN CATS (CONTINUED)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
BT Lifetime Super Employer Plan Investors Mutual Australian Share in AU	BTA0099AU	2.12	7.98	15.65	9.47	17.48
Perpetual WF Super Investors Mutual Australian Share in AU	PER0213AU	2.18	7.09	15.42	9.45	17.33
CFS First Choice Investors Mutual Australian Share PersSuper in AU	FSF0442AU	1.9	7.78	15.54	9.26	15.97
ANZ OA Per Sup Investors Mutual Australian NEF in AU	ANZ0556AU	2.82	7.68	16.18	9.13	15.05
OnePath OA Per Sup Investors Mutual Australian Shares NEF in AU	MMF0665AU	2.82	7.68	16.18	8.93	13.64

Source: Financial Express. No unauthorised copying.



Commentary:

Every one of the Golden Cats were managed by either Perpetual or Investors Mutual. Interestingly for essentially the same Investors Mutual Australian Equities fund, MLC charges 0.92% per annum (MasterKey Super), Colonial First State charges 1.90% (Personal Super), BT charges 2.12% (Lifetime Super), Perpetual charges 2.18% (WealthFocus Super), and ANZ/OnePath takes the cake at 2.82% (OneAnswer Personal Super).

This difference in fees leads to a significant disparity in returns. If you had invested \$100 in the Investors Mutual Fund on the MLC platform 5 years ago you would have now \$168.81 compared to just \$154.78 on the ANZ/OnePath platform. That's a 14% difference in performance for one fund. According to Morningstar, both the [MLC](#) and [ANZ/OnePath](#) versions of the Investors Mutual fund get 5 stars despite the 1.90% difference in fees.

FAT CAT FUNDS (22 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
BT Lifetime Super Employer Plan ING Australian Shares in AU	BTA0164AU	2.05	0.09	11.2	3.68	-19.93
MLC MK Super Northward Capital Australian Equity Trust in AU	MLC0843AU	0.85	0.00	7.69	3.70	-19.81
OnePath Optimix Superannuation Australian Share NEF in AU	LEF0150AU	2.53	2.48	12.77	3.86	-18.88
CFS Integrity Australian Share No 2 in AU	FSF0420AU	1.89	1.72	12.07	3.90	-18.65
OnePath OA Per Sup Optimix Australian Shares NEF in AU	MMF0673AU	2.45	2.56	12.86	3.94	-18.42
ANZ OA Per Sup Optimix Australian NEF in AU	ANZ0560AU	2.45	2.56	12.86	4.00	-18.07
MLC MK Superannuation GS Australian Share Value Style in AU	MLC0515AU	2.13	4.10	12.57	4.25	-16.6
CFS First Choice Integrity Australian Share Super in AU	FSF0414AU	1.89	2.30	12.46	4.34	-16.06
OnePath OA Per Super Perennial Growth Shares NEF in AU	MMF1288AU	2.87	5.83	12.68	4.40	-15.71
CFS Integrity Wholesale Australian Share No 2 in AU	FSF0591AU	1.04	2.64	12.74	4.52	-14.99
Perpetual WF Super Ibbotson Australian Shares Active in AU	PER0216AU	1.98	4.21	10.51	4.63	-14.34
OnePath Integra Super Optimix Australian Shares in AU	MMF0508AU	1.82	3.12	12.54	4.74	-13.68
CFS First Choice Integrity Wholesale Australian Share Super in AU	FSF0590AU	1.04	3.07	13.14	4.98	-12.22
OnePath OA Per Sup Vanguard Australian Shares Index NEF in AU	MMF0906AU	2.32	4.99	13.34	5.02	-11.98
OnePath OA Per Super Onepath Australian Shares NEF in AU	MMF0043AU	2.30	2.98	13.65	5.06	-11.74
OnePath Corporate Super Optimix Australian Shares in AU	MMF0534AU	1.48	3.37	12.87	5.06	-11.74
OnePath Corporate Super Perennial Value Shares in AU	MMF0969AU	1.98	6.33	13.57	5.14	-11.25
CFS FirstChoice Boutique Australian Share PersSuper in AU	FSF0444AU	1.89	4.27	12.08	5.17	-11.07
BT Lifetime Super Employer Plan BT Ethical Share in AU	BTA0253AU	1.75	4.78	13.45	5.19	-10.94
ANZ OA Per Sup Vanguard Australian Shares Index NEF in AU	ANZ0582AU	2.32	4.99	13.34	5.19	-10.94
MLC Navigator SS LSO UBS Australian Share in AU	NUL0341AU	0.80	1.11	12.57	5.19	-10.94
OnePath OA Super BT Core Australian Share NEF in AU	MMF1160AU	2.80	3.94	13.67	5.21	-10.82

Source: Financial Express. No unauthorised copying.

FAT CAT FUNDS (CONTINUED)



Commentary:

Special mention goes to ANZ/OnePath platform which was represented in half (11) of the Fat Cat Funds in this category with an average fee of 2.30% and underperformance of -13.93%. Of particular note was the [OnePath OneAnswer Personal Super Vanguard Australian Shares Index](#) fund which underperformed the benchmark by -11.98% over the 5 years despite being an index fund whose sole reason for existence is to match the benchmark. The underperformance can be explained by its 2.32% fee which is a 1447% premium to the 0.15% fee charged by the Vanguard Australian Index Exchange Traded Fund (ETF) listed under the ticker ASX:VAS and included in the Stockspot portfolios. To add insult to injury, taking funds off the OnePath OneAnswer Personal Super platform before 3 years leads to an exit fee of 3.53% being levied on investors. Nonetheless this fund still has \$36m of investor money in it according to [RateCity](#).



KEY OBSERVATIONS

38%

Beat the market after fees
(67 funds)



62%

underperformed the
market after fees (110 funds)

<1.25% in fees

58% chance of beating benchmarks

Funds that charged less than 1.25% per annum in fees over the last 5 years had a 58% chance of outperforming the benchmark over that time

>1.25% in fees

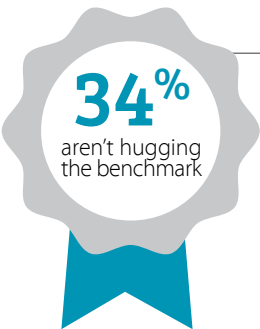
19% chance of beating benchmarks

Funds that charged more than 1.25% per annum in fees over the last 5 years had a 19% chance of outperforming the benchmark over that time.

Fees should be reduced by

28%

Super fund managers would need to have reduced their fees by 28% or 0.43% per year on average over the last 5 years to 1.13% in order for 50% of funds to have beaten the market.



Only 34% of fund managers achieved a return outside of the benchmark +/- 10% over 5 years. This shows that most active Australian equity managers are closet index huggers. However the dispersion of S&P/ASX 300 fund managers was wider than S&P/ASX/200.

SUMMARY

	Funds	Fat Cat Funds	Percentage of Fat Cats
Universe:	97	30	30.9%

Average fund fee per annum:	1.36%
Average fund fee as % of average fund returns over 5 years:	18.9%
Difference between best and worst fund 5 year performance:	87.89%

Name	Annual fee	1 year return	3 year return (p/a)	5 year return (p/a)	Value of \$100 invested for 5 years
Benchmark		7.00%	15.07%	7.18%	\$141.44
Average fund	1.36%	4.97%	14.31%	6.28%	\$138.51
PURR-FECT PERFORMER: Lazard Select Australian Equity I TR in AU	1.00%	9.90%	21.59%	11.52%	\$172.49
IN THE KITTY LITTER: All Star IAM Australian Share TR in AU	2.05%	-2.50%	-0.04%	-3.29%	\$84.60

Source: Financial Express. No unauthorised copying.

GOLDEN CATS (2 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
Lazard Select Australian Equity I TR in AU	LAZ0005AU	1.00	9.90	21.59	11.52	31.05
Fidelity Australian Equities TR in AU	FID0008AU	0.85	8.21	17.46	9.15	13.49

Source: Financial Express. No unauthorised copying.



Commentary:

Fidelity again featured in the Golden Cats, this time alongside Lazard. Both were off-platform managed funds and their on-platform reincarnations underperformed significantly. While Colonial First State, BT, ANZ and Perpetual also offered a Fidelity Australian Equity fund on their platforms, none made the Golden Cat list because of the drag their higher fees had on returns. The ANZ/OnePath Fidelity Australian Equity fund had the highest fee of the lot at 2.90%, underperforming the off-platform Fidelity fund by 14.9% over the 5 years and even underperforming the benchmark by 1.4% over that time.

FAT CAT FUNDS (22 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
All Star IAM Australian Share TR in AU	VEN0006AU	0.99	-2.50	-0.04	-3.29	-56.84
MLC MK Investment Bond FS Australian Share in AU	MLC0238AU	0.29	2.55	10.16	3.25	-24.10
BlackRock Australian Share TR in AU	PWA0014AU	1.92	1.94	11.85	3.51	-22.61
MLC MK Investment Bond Australian Share in AU	MLC0228AU	2.26	3.04	10.66	3.73	-21.34
MLC MK Unit Trust Australian Share TR in AU	MLC0015AU	1.95	2.29	11.71	3.74	-21.29
ANZ OA Inv Pfolio Merlon Aus Share Income DEF TR in AU	MMF1123AU	2.95	2.36	11.37	3.78	-21.05
BlackRock Australian Share PIF TR in AU	MAL0104AU	1.40	2.63	12.49	4.14	-18.95
Aberdeen Australian Equities TR in AU	MGL0114AU	0.80	4.51	10.98	4.37	-17.59
Perpetual WF Investment Advantage AMP Capital Sustainable Share TR in AU	PER0448AU	1.98	4.48	12.36	4.38	-17.53
CFS First Choice BlackRock Australian Share TR in AU	FSF0234AU	1.88	2.85	13.31	4.41	-17.36
Maple-Brown Abbott Imputation NEF TR in AU	ADV0008AU	2.56	4.06	13.70	4.61	-16.16
BlackRock Australian Share Wholesale TR in AU	PWA0823AU	0.95	3.09	13.01	4.61	-16.16
Advance Concentrated Australian Share TR in AU	ADV0114AU	1.99	2.62	12.70	4.77	-15.20
AMP FLI Responsible Investment Leaders Australian Share TR in AU	AMP1055AU	2.25	3.60	13.56	4.83	-14.84
CFS Challenger Australian Share Income TR in AU	FSF0722AU	1.98	3.20	10.97	4.83	-14.84
MLC MK Unit Trust Australian Share Growth Style TR in AU	MLC0002AU	0.63	3.77	11.10	4.84	-14.78
Fidante Merlon Australian Share Income TR in AU	EQI0004AU	2.00	3.55	11.13	4.88	-14.54
Nikko AM Australian Shares TR in AU	SUN0016AU	1.45	4.66	12.61	4.92	-14.30
Maple-Brown Abbott Sharemarket TR in AU	ADV0012AU	2.05	4.80	14.01	4.96	-14.05
Maple-Brown Abbott Imputation Ordinary TR in AU	ADV0013AU	2.05	4.59	14.32	5.15	-12.90
Perpetual WF Investment Advantage MapleBrown Abbott Imputation TR in AU	PER0447AU	1.98	4.57	13.96	5.19	-12.65
CFS First Choice Maple-Brown Abbott Imputation TR in AU	FSF0239AU	1.88	5.69	14.70	5.20	-12.59
CFS First Choice BlackRock Wholesale Australian Share TR in AU	FSF0457AU	1.02	3.74	14.29	5.30	-11.98
MLC MK Unit Trust Share Index TR in AU	MLC0014AU	0.27	4.71	13.14	5.40	-11.36

FAT CAT FUNDS (CONTINUED)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
AMP FLI AMP Australian Share Enhanced Index TR in AU	AMP0828AU	1.80	4.66	13.08	5.42	-11.24
AMP FLI AMP Australian Share TR in AU	AMP0827AU	2.10	4.98	13.39	5.46	-10.99
Advance Concentrated Australian Share Wholesale TR in AU	ADV0115AU	0.80	3.91	14.29	5.50	-10.74
AMP FLI Tyndall Australian Share Value TR in AU	AMP1207AU	2.25	4.72	14.04	5.56	-10.37
CFS First Choice Merlon Wholesale Australian Share Income TR in AU	FSF0709AU	1.17	3.64	11.75	5.58	-10.25
AXA Generations Aviva High Growth Australian Equity TR in AU	NML0583AU	2.01	4.49	12.19	5.59	-10.18

Source: Financial Express. No unauthorised copying.



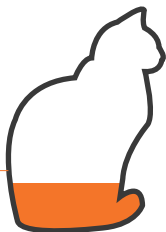
Commentary:

Colonial First State, AMP and MLC each contributed 5 funds to this Fat Cat list. However top prize goes to the All Star IAM Australian Share fund which underperformed the benchmark by 56% over the past 5 years. As at 30 Sept 2014 this fund still had had \$64m of investor funds according to [InvestSmart](#).

KEY OBSERVATIONS

22%

Beat the market after fees
(21 funds)



78%

underperformed the
market after fees (76 funds)

<1.25% in fees

32% chance of beating benchmarks

Funds that charged less than 1.25% per annum in fees over the last 5 years had a 32% chance of outperforming the benchmark over that time.

>1.25% in fees

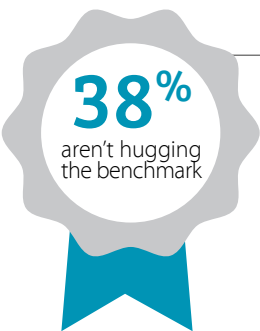
9% chance of beating benchmarks

Funds that charged more than 1.25% per annum in fees over the last 5 years had a 9% chance of outperforming the benchmark over that time.

Fees should be reduced by

73%

Managed fund managers would need to have reduced their fees by 73% or 0.99% per year on average over the last 5 years to 0.37% in order for 50% of funds to have beaten the market.



Only 38% of fund managers achieved a return outside of the benchmark +/- 10% over 5 years. This shows that most active Australian equity managers are closet index huggers.

SUMMARY

	Funds	Fat Cat Funds	Percentage of Fat Cats
Universe:	139	10	7.10%

Average fund fee per annum:	1.91%
Average fund fee as % of average fund returns over 5 years:	27.6%
Difference between best and worst fund 5 year performance:	85.41%

Name	Annual fee	1 year return	3 year return (p/a)	5 year return (p/a)	Value of \$100 invested for 5 years
Benchmark		6.79%	14.66%	6.92%	\$139.73
Average fund	1.91%	6.53%	15.92%	7.57%	\$144.05
PURR-FECT PERFORMER: MLC MK Pension Perpetuals Wholesale Ethical SRI in AU	1.00%	10.18%	26.18%	15.92%	\$209.31
IN THE KITTY LITTER: BT Personal Portfolio Service Pension Aberdeen Australian Equities in AU	1.99%	4.62%	11.37%	4.38%	\$123.90

Source: Financial Express. No unauthorised copying.

GOLDEN CATS (20 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
MLC MK Pension Perpetuals Wholesale Ethical SRI in AU	MLC0809AU	1.00	10.18	26.18	15.92	69.58
MLC MK Allocated Pension Perpetuals Wholesale Ethical SRI in AU	MLC0488AU	2.24	8.74	24.49	14.22	54.67
MLC MK Term Allocated Pension Perpetuals Wholesale Ethical SRI in AU	MLC0596AU	0.80	8.74	24.49	14.22	54.67
Perpetual WF Allocated Pn Perpetual Share Plus LongShort in AU	PER0148AU	2.42	13.36	21.57	13.92	52.14
MLC MK Pension Investors Mutual Australian Share in AU	MLC0802AU	0.92	10.37	19.21	12.30	38.88
Perpetual WF Term Allocated Pn Perpetual Concentrated Equity in AU	PER0336AU	1.98	9.41	18.44	11.45	32.22
CFS First Choice Investors Mutual Wholesale Australian Share in AU	FSF0524AU	1.24	9.43	17.69	11.05	29.15

GOLDEN CATS (CONTINUED)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
MLC MK Allocated Pension Investors Mutual Australian Share in AU	MLC0486AU	2.16	8.91	17.69	10.70	26.51
MLC MK Term Allocated Pension Investors Mutual Australian Share in AU	MLC0590AU	0.70	8.91	17.69	10.70	26.51
Perpetual WF Term Allocated Pn Investors Mutual Australian Share in AU	PER0323AU	2.18	8.47	17.15	10.61	25.83
Perpetual WF Allocated Pn Investors Mutual Australian Share in AU	PER0095AU	2.18	7.71	16.87	10.45	24.64
CFS First Choice Investors Mutual Australian Share in AU	FSF0428AU	1.90	8.63	16.91	10.34	23.82
ANZ OA Alloc Pen Investors Mutual Australian NEF in AU	ANZ0465AU	2.75	8.23	17.74	10.19	22.72
ANZ OA TAP Investors Mutual Australian Shares NEF in AU	ANZ0725AU	2.75	8.23	17.74	10.19	22.72
OnePath OA Alloc Pen Investors Mutual Australian Shares NEF in AU	MMF0617AU	2.75	8.23	17.74	9.99	21.25
OnePath OA TAP Investors Mutual Australian Shares NEF in AU	MMF0813AU	2.75	8.23	17.74	9.99	21.25
CFS First Choice Acadian Wholesale Australian Equity Long Short in AU	FSF0832AU	1.14	10.45	17.94	9.00	14.13
CFS First Choice Wholesale Imputation in AU	FSF0512AU	1.00	7.58	16.83	8.66	11.75
CFS First Choice BlackRock Wholesale Scientific Australian Equity in AU	FSF0525AU	1.04	10.00	17.39	8.62	11.47
ANZ OA Alloc Pen Onepath Sustainable Invest Aust EF in AU	ANZ0460AU	1.80	7.37	18.59	8.52	10.77

Source: Financial Express. No unauthorised copying.



Commentary:

The Perpetual Ethical fund on MLC's MasterKey platform topped this category. The top 16 funds were all either Perpetual or Investors Mutual funds on various platforms. Once again the fees (and therefore returns) varied significantly for these funds on different platforms. ANZ/OnePath charged 2.75% to access the Investors Mutual Australian Shares fund versus 0.92% on the MLC platform.

FAT CAT FUNDS (10 FUNDS)

Fund Name	APIR Code	Annual fee (%)	1 year return (%)	3 year return (% p/a)	5 year return (% p/a)	Cumulative 5 year out / under-performance (%)
BT Personal Portfolio Service Pension Aberdeen Australian Equities in AU	WFS0324AU	1.99	4.62	11.37	4.38	-15.83
CFS Integrity Australian Share No 2 in AU	FSF0419AU	1.89	2.58	13.00	4.62	-14.40
OnePath OA Alloc Pen Optimix Australian Shares NEF in AU	MMF0625AU	2.73	3.23	13.89	4.71	-13.86
OnePath OA TAP OptiMix Australian Shares NEF in AU	MMF0823AU	2.73	3.23	13.89	4.71	-13.86
OnePath Optimix Allocated Pension Australian Share NEF in AU	LEF0134AU	2.73	3.23	13.89	4.71	-13.86
OnePath Optimix Term Allocated Pension Australian Share NEF in AU	LEF0072AU	2.73	3.23	13.89	4.71	-13.86
ANZ OA Alloc Pen Optimix Australian NEF in AU	ANZ0469AU	2.73	3.23	13.89	4.82	-13.19
ANZ OA TAP OptiMix Australian Shares NEF in AU	ANZ0731AU	2.73	3.23	13.89	4.82	-13.19
CFS First Choice Integrity Australian Share in AU	FSF0411AU	1.89	2.75	13.10	4.93	-12.53
OnePath OA Alloc Pen Perennial Growth Shares NEF in AU	MMF1290AU	2.82	6.39	14.03	4.94	-12.47

Source: Financial Express. No unauthorised copying.



Commentary:

ANZ/OnePath once again dominated the Fat Cat Fund list for this category with 7 out of the 10 funds. However BT and Colonial First State took out the top 2 positions.

KEY OBSERVATIONS

55%

Beat the market after fees
(76 funds)



45%

underperformed the
market after fees (63 funds)

<1.25% in fees

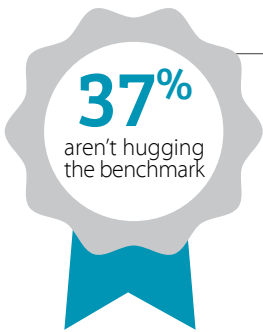
71% chance of beating benchmarks

Funds that charged less than 1.25% per annum over the last 5 years had a 71% chance of outperforming the benchmark over that time.

>1.25% in fees

49% chance of beating benchmarks

Funds that charged more than 1.25% per annum in fees over the last 5 years had a 49% chance of outperforming the benchmark over that time.



Only 37% of fund managers achieved a return outside of the benchmark +/- 10% over 5 years. This shows that most active Australian equity managers are closet index huggers.



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