



Investment Centre
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Look to alternatives for over 20% returns

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Almost half of funds in the alternatives sector have achieved positive returns over the year to 31 July 2020, and investing in the sector could improve risk-adjusted returns.

By [Laura Dew](#)

Almost half of funds in the alternatives sector have achieved positive returns over the year to 31 July, as it is suggested investors increase their allocations to these assets.

Earlier this week, [Cor Capital suggested](#) increased allocations by investors by alternative strategies could improve risk-adjusted returns. This included absolute-return focused strategies which would fit in a liquid alternative bucket or as a partial substitute for bonds.

Alternative funds were typically structured to have low correlation to other asset classes such as equities or bonds which made them a good option for portfolio diversification.

Davin Hood, managing director, said: “These portfolios are typically long-only multi-asset portfolios that aim to perform within all potential market environments including recession/growth and inflation/deflationary environments”.

According to data from FE Analytics, within the Australian Core Strategies universe, there were 101 funds in the alternatives sector with a one-year track record and 45% of these had achieved positive returns over the year to 31 July.

There were 12 funds which had seen double-digit returns and five which had returned over 20%. These were [Ellerston Global Equity Managers GEMS A](#), [Pental High Alpha Fixed Income](#), [Ellerston Global Equity Managers GEMS C](#), [Bennelong Market Neutral](#) and [Bennelong Long Short Equity](#) which returned 23.3%, 23.9%, 25.8%, 27.8% and 28% respectively.

These returns compared to average sector returns of 0.4% for the alternatives sector and losses of 7.2% for the Australian equity sector. The ASX 200 had lost 9.5% over the period. However, the Australian bond sector reported positive returns of 2.9%.

Performance of alternatives sector versus Australian equity sector over one year to 31 July 2020



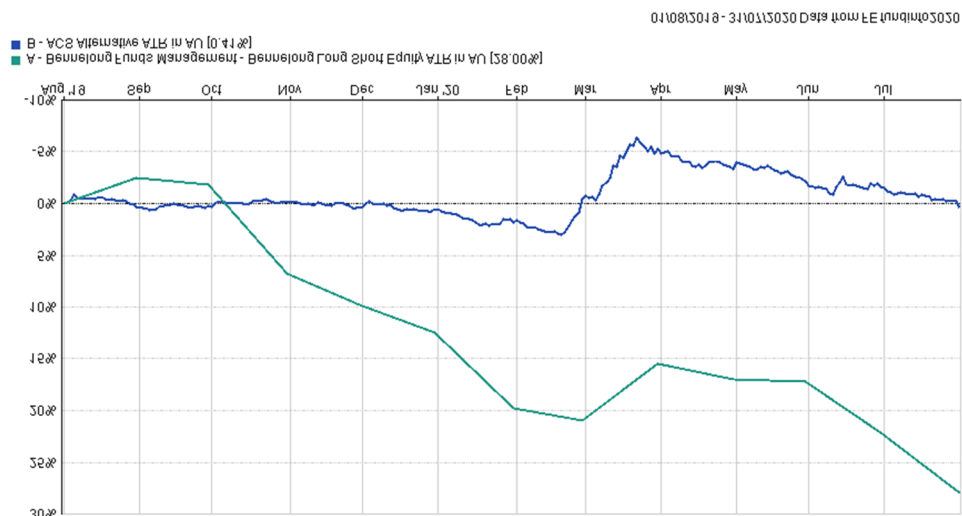
The best-performing fund was [Bennelong Long Short Equity](#) which returned 28% over the same period.

The \$397 million fund, managed by Sam Shepherd, aimed to achieve consistent absolute returns regardless of market conditions from a portfolio of long and short large-cap Australian shares.

In its most recent commentary, the fund said: “Returns were spread across a variety of sectors and the contribution of negative pairs was limited. Leading into reporting season the fund gained from a number of favourable company updates”.

Significant pairs in the fund during July included long Netwealth/short IOOF and long ALS/short Aurizon.

Performance of Bennelong Long Short Equity versus alternatives sector over one year to 31 July 2020



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