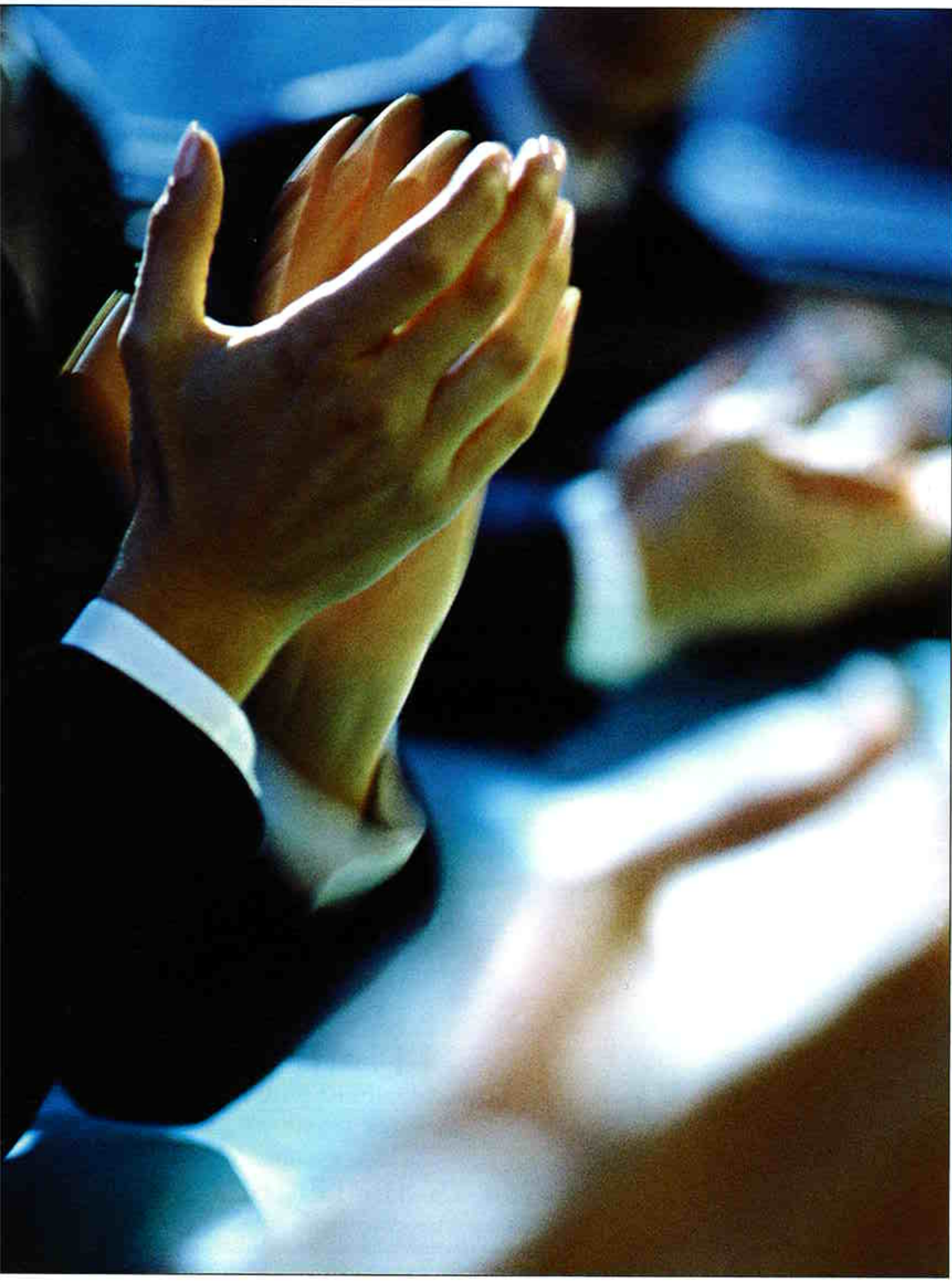
AND THE WINNER IS...


PHOTOLIBRARY

The Standard & Poor's (S&P) Fund Awards recognise the cream of the Australian funds management industry across different investment styles, based on a strong track record in funds management and consistently sound returns. Christine St Anne celebrates the winners of this year's gongs.

The S&P Fund Awards 2006 have a decidedly BT Financial Group flavour to them, with the manager taking out three of the 10 categories.

BT won the Australian equities, balanced funds – neutral and balanced funds – dynamic categories.

BT group chief executive Rob Coombe says he is particularly satisfied with the manager's performance in the Australian equities category, where BT made up all three nominations. Its Wholesale Ethical Share Fund was the overall winner.

"The award is a fantastic endorsement of our Australian equities team," Coombe said.

He credited portfolio managers Troy Angus, Crispin Murray and Paul Hannan for delivering sustainable fund returns. "The award recognised the sustainable approach adopted by our team in delivering risk-adjusted returns for the fund," he says.

BIG COME BACK

The strong presence of BT across the award categories also highlighted the domination of large investment managers compared to last year's awards.

In 2005, four boutique investment managers were represented in the sector categories, with Tyndall Investment Management taking out the Fund Manager of the Year award.

This year, the only boutique manager to win in the sector categories was Tyndall. The Tyndall International Bond Fund won in the global fixed income category.

S&P head of fund data Julie Orr agrees larger managers dominated the awards.

"Over the three-year period measured by the S&P awards, smaller managers have not been able to achieve sufficiently high returns to compensate for their higher volatility against larger managers, hence eliminating a majority of smaller funds," Orr says.

Indeed, this year, fund management behemoth Barclays Global Investors (BGI) was crowned Fund Manager of the Year.

BGI chief executive Justin Wood says being a large manager with a global presence is a definite advantage in the local market.

"We are a big global investment manager, which allows us to offer international equities through our global presence. Being big also enables us to provide our investors with a broad-based, consistent, active approach across a diversified strategy," Wood says.

Mick O'Brien, from Fund Manager of the Year finalist Invesco, acknowledges the importance of being a global fund manager but also the value of being domestically focused.

"It does help to be a global player but at the same time it is important to have that grassroots presence. By understanding our investors' needs and their liability streams we can build portfolios according to their requirements," O'Brien says.

Schroders' head of product and marketing Stephen Kwa, another finalist, also stresses the importance of a global presence.

"It is definitely an advantage being a global player especially when you are offering global funds into Australia. You have access to people and systems. We have over 250 investment specialists located globally and resources to implement investment tools for risk management and sharing information," Kwa says.

All finalists in the Fund Manger of the Year category also share the view that winning the award is tougher for large managers because they are judged across all of their strategies, unlike the approach taken to judging boutique managers.

"It is harder for large investment managers to have competitive performance across all strategies compared with a boutique manager who is focused on one strategy. The award, therefore, is more of an endorsement of us because we offer a complete range of competitively performing products," Kwa says.

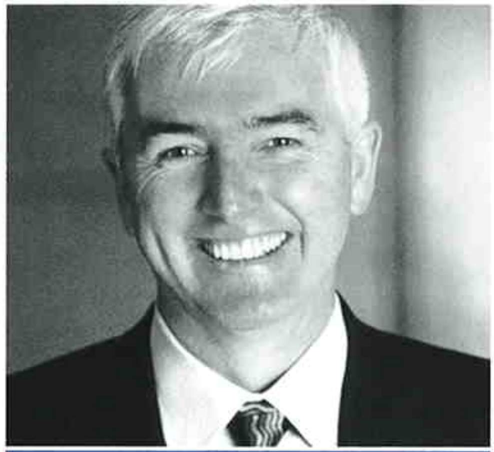
Indeed, six of the nine products Schroders offers are in the S&P's top quartile funds for three-year performance.

Wood agrees. "What was particularly pleasing about this award is that it recognises the quality of BGI's investment management across a broad range of strategies," he says.

Orr stresses consistent performance across all asset classes is the key criteria behind judging the Fund Manager of the Year. It is a standard BT could not live up to.

Orr says because BT had a series of funds that dragged their overall group results down, they could not be considered for the overall award.

"Although Invesco, Barclays and Schroders have not dominated the sector awards, their funds have performed relatively well. Each manager has a high number of funds in the top 10 funds across each sector, without being dragged down by poorer performing funds. This strength across a range of funds demonstrates why these fund managers are being considered in the Fund Manager of the Year award," she says.



Justin Wood

"Being big enables us to provide our investors with a broad-based, consistent, active approach across a diversified strategy"

– Justin Wood, Barclays Global Investors chief executive

"We are very happy to be a small fish in a big pond. We would be just as happy if we are recognised as boutique manager of the year in 10 years' time."

– Yong Quek, Prime Value Asset Management, Boutique Fund Manager of the Year

Yong Quek

PRIME PERFORMANCE

The other major award is the Boutique Fund Manager of the Year. Prime Value Asset Management scooped the award for the second year in a row.

"We are really honoured to win again. The S&P award is ultra-special as it is based on clear, precise and unambiguous methodology," Prime Value Asset Management executive director Yong Quek says.

For Quek, however, the award was also a win for loyal private investors and the planners who have supported the fund.

GO WITH THE FLOW

It has been a good year for Prime Value. Funds under management (FUM) swelled to $210 million from $60 million this time last year and it scored listings on platforms BT Wrap, Macquarie Wrap, Asgard and Netwealth.

Quek says although the award is more about recognition from the industry, the honour is well recognised by its investors.

"While it is hard to measure whether the award has translated into increased funds under management, our investors certainly recognise the prestige of the S&P award," he says.

For finalists and S&P winners there may not be a direct correlation between winning the award and securing more business. What the award does mean, however, is credibility and recognition in the market place.

"Certainly the award makes both our investors and distributors aware of the strength and depth of our products. I believe it will have a positive impact on our funds under management," Kwa says.

O'Brien says: "For us the award encourages investor comfort in dealing with your products."

Hunter Hall chief executive David Buckland says the awards are about delivering returns and services to investors.

Hunter Hall was a finalist in both the Boutique Fund Manager of the Year and in the global equities category.

PAST WINNER STILL A GRINNER

For 2005's Fund Manager of the Year, the past 12 months have been fruitful.

Since winning the award in September 2005, Tyndall Investment Management has grown to $8.2 billion from $6.8 billion in funds under management.

Tyndall head of marketing Phil Galagher says winning the 2005 award was very exciting. "While you can't attribute the S&P win to the growth of our business, there has been an impact in the market," Galagher says.

He adds the fund manager embarked on a strong advertising campaign based on the win, which resonated more with retail rather than institutional investors.

While Tyndall was a finalist in both the Australian fixed income and global fixed income categories this year, it failed to feature in the Australian equities category.

S&P head of fund data Julie Orr says: "Value managers have not performed so well across equities sectors over the past three years, with much of the weaker performance being experienced in the last year. As a result, Tyndall did not rank in the sector awards for Australian equities."

Galagher says, however, that these days both investors and the market have a sophisticated understanding of these issues.

He highlights the recent Navigator rating as a case in point.

In July, investment platform Navigator gave the value manager a five-star rating.

"This clearly confirms that the market is not spooked by cycles," he says.

"People now understand that you need to have a blended portfolio which includes a variety of styles, including both growth and value managers."

S&P FUND AWARDS 2006 WINNERS

Australian Equities
BT Wholesale Ethical Share Fund

Australian Small Caps
Colonial First State Wholesale Small Companies – Core

Australian Fixed Income
Credit Suisse Asset Management Australian Fixed Income Fund

Listed Property Securities
Goldman Sachs JBWere Property Securities Wholesale Fund

Global Equities
Dimensional Global Value Trust

Global Fixed Income
Tyndall International Bond Fund

Australian Mortgage Funds
Axa Wholesale Australian Monthly Income Fund

Balanced Funds – Conservative
Barclays Managed Investments Funds – Diversified Stable Fund

Balanced Funds – Neutral
BT Wholesale Balanced Returns Fund

Balanced Funds – Dynamic
BT Wholesale Active Balanced Fund

Fund Manager of the Year
Barclays Global Investors Australia

Boutique Fund Manager of the Year
Prime Value Asset Management

For Buckland, sustaining inflows is also about maintaining investment focus, even alongside the other large investment managers.

"Big managers have a role to play in the market but we see them as quasi index players. We are gypsies in the ocean, seeking out jewels and gems," Buckland says.

BT says it is now regaining market share through strong inflows.

"Attracting fund flows was an issue for us even as recently as 12 months ago. Now that we have been re-rated, institutional investors are recognising our work. As a result we are attracting strong fund inflows," Coombe says.

In just 12 months the fund has attracted $500 million in new institutional mandates and Coombe expects retail flows to follow.

"Once you get recognition from the institutional market, the retail market tends to follow," he says.

"The S&P awards are important in that they recognise not just performance but risk-adjusted returns.

"S&P's assessment of a portfolio's risk adjusted return is a recognition and acknowledgement of the work we do."

Quek says the award is a reminder to carry on doing what Prime Value does best and echoes comments he made when the boutique won last year.

"The award shows how important it is to stay true to your strengths. We are very happy to be a small fish in a big pond. We do not want to be a mainstream fund manager. We would be just as happy if we are recognised as boutique manager of the year in 10 years' time," he says.