

LIC share prices stray

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The average share price performance of listed investment companies has lagged the S&P/ASX 200 in the past year as resources rallied, investors shunned equities and deposits paid sharp rates.

The average LIC returned 8.2 per cent for the year, including dividends paid to June 30, against 12.2 per cent for the S&P/ASX 200.

Investors traditionally flock to conservative listed investment companies in choppy equity markets when they lose the confidence to invest themselves.

But Australian Foundation Investment Company general manager Geoff Driver said recent volatility had seen people shun equities altogether.

"Investors are concerned about the medium-term outlook for the market and there is such a strong alternative in bank deposits and interest rate products where you can get around 6 per cent with no capital risk," he said.

Mr Driver said this effect was likely to be cyclical, as equities still had stronger return performance over the long term.

He noted that share price returns tended to equate to portfolio performance over the longer term, and that the one-year underperformance of traditional LICs such as AFIC had been due to their avoidance of speculative mining stocks.

"The resources index has been up nearly 18 per cent over the year and, while some of that is BHP and Rio, there are lots of small miners at the speculative end that are growing," Mr Driver said.

The top-performing LIC for the year to June was Contango Microcap, with a 74.9 per cent total share price return.

Contango investment services director Carol Austin said this was due to its exposure to mining, energy and mining services companies – sectors which had all rallied.

Contango had portfolio performance of 37.2 per cent over the year to June and Ms Austin said its share price performance also reflected a lag in the market recognising portfolio returns.

Among alternative absolute return LICs, Cadence Capital was the top performer for the year to June with a 72.50 per cent return.

This was also due to the market rewarding its portfolio performance, which was 82 per cent for the year to June. Stocks which boosted returns for Cadence over the year included RHG, South Boulder Mines, McMillan Shakespeare, Bravura Solutions and Tower Australia Group.

While some LICs are raising their dividends for the first time since the credit crisis, others await a more sustained equity recovery.

A handful are winding up in a bid to close gaps between their shares and asset values – action which, while positive, has hit share prices.

The worst annual performer was Van Eyk Three Pillars, which shed 94.5 per cent as activists overthrew the board to try to close its share price to asset value gap and return shareholder funds.

Among absolute return LICs, Trojan Equity was the laggard with a 67.3 per cent loss. It is implementing a wind-up and capital return.

Top of the charts

Listed investment companies' performance to June 30 Australian shares (%)

Name	Return* (1 yr)	Return (3 yrs)	Dividend yield
Contango Microcap	74.97	4.81	6.89
WAM Capital	41.91	16.79	5.79
Australian Leaders	30.88	24.46	10.24
WAM Research	24.09	7.87	9.86
Westoz Investment	18.13	n/a	9.95
Ironbark Capital	16.20	6.23	7.37
Mirrabooka	16.15	6.22	5.38
Clime Capital	13.47	11.98	3.64
Ozgrowth	13.14	-2.28	9.70
WAM Active	12.26	9.00	6.83

* Share price performance plus dividends

SOURCE: ASX

The Australian Financial Review

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