

Why these ‘gold’-rated funds might appeal to DIY investors

IAN TAM

NUMBER CRUNCHER

CFA, director of investment research for Morningstar Canada.

WHAT ARE WE LOOKING FOR?

Actively managed mutual funds available to DIY investors.

THE SCREEN

There is no doubt that the growth of exchange-traded funds in Canada has appealed to the do-it-yourself investor. After all, ETFs can often grant wide exposure to an asset class at very little cost. That said, of the 1,130 ETFs listed on Canadian exchanges, just more than half are indexed funds. The remainder are either actively managed or strategic beta ETFs (those that straddle the line between active and passive); of these, 300 were launched after 2018 with relatively short performance histories.

Hence for the DIY investor looking for active management (perhaps for asset classes where it is more difficult to buy individual securities, such as bonds, for example), funds with long track records are few and far between.

Select Canadian-domiciled mutual funds

FUND	BROAD CATEGORY GROUP	MORNINGSTAR CATEGORY	MORNINGSTAR RATING OVERALL	MORNINGSTAR QUANTITATIVE RATING	MER (%)	TOTAL RETURN (%)		ANNUALIZED TOTAL RETURN (%)				INCEPTION DATE
						YTD	1YR	3YR.	5YR.	10YR.	15YR.	
Pembroke Growth and Income	Allocation	Cdn. Equity Balanced	5 Star	Gold	0.32	9.5	31.4	11.1	9.0	8.7	n/a	1/16/2007
NBI Jarislowsky Fraser Select Bal E	Allocation	Cdn. Equity Balanced	5 Star	Gold	0.91	7.0	17.9	8.8	8.0	7.9	n/a	10/7/2010
Mawer Balanced A	Allocation	Global Neutral Balanced	5 Star	Gold	0.92	3.2	12.5	8.0	8.2	9.4	8.1	2/12/1988
RBC U.S. Monthly Income Fund D	Allocation	Global Neutral Balanced	5 Star	Gold	0.94	2.3	6.9	7.6	7.9	10.0	n/a	7/3/2007
RBC Vision Global Equity Fund D	Equity	Global Equity	5 Star	Gold	1.25	6.4	30.6	16.5	17.3	14.8	n/a	7/3/2007
Capital Group Global Equity Cda D	Equity	Global Equity	5 Star	Gold	1.16	6.5	29.6	15.3	16.8	14.8	10.4	11/1/2002
Mawer Global Equity A	Equity	Global Equity	5 Star	Gold	1.31	8.0	18.2	11.5	12.7	14.0	n/a	10/22/2009
Mawer Global Small Cap A	Equity	Global Small/Mid Cap Eqty.	5 Star	Gold	1.76	5.4	23.1	11.2	13.0	16.2	n/a	10/2/2007
Pembroke International Growth	Equity	International Equity	5 Star	Gold	0.16	2.6	14.5	11.0	13.0	11.3	8.4	11/2/1989
RBC Global Resources Fund D	Equity	Natural Resources Equity	5 Star	Gold	1.26	15.8	40.6	3.5	6.3	1.9	n/a	7/3/2007
RBC Life Science & Tech. Fund D	Equity	U.S. Equity	5 Star	Gold	1.21	7.7	23.6	19.0	22.1	19.4	n/a	7/3/2007
Pembroke Corporate Bond A	Fixed Income	Global Corporate Fixed Inc.	5 Star	Gold	0.09	6.8	19.6	11.6	9.0	8.2	n/a	1/1/2009
PIMCO Monthly Income H	Fixed Income	Global Fixed Income	5 Star	Gold	0.56	0.7	7.6	4.7	4.9	n/a	n/a	1/4/2016
PH&N High Yield Bond Fund D	Fixed Income	High Yield Fixed Income	5 Star	Gold	0.87	3.7	11.0	5.6	6.7	5.9	6.7	7/6/2000

Source: Morningstar Direct. Data as of June 21

To help with this conundrum, I turned my attention to the mutual fund world, specifically those that are available for purchase (at a lower cost) through discount brokerages. For a few ideas, I used Morningstar Direct to screen for funds that have:

- A Morningstar Rating (informally known as the “star rating”) of five stars. Recall that Morningstar’s star rating is a look back at historical risk-adjusted returns after fees, relative to peers. The star ratings are not forward-looking, but our data show that over

the past decade, five-star funds domiciled in Canada were less than half as likely to be liquidated or merged than one-star funds. The star rating is a great starting point for further research.

- A Morningstar Quantitative Rating of gold. This is Morningstar’s forward-looking assessment of a fund’s ability to outperform in the future. In the years that the rating has been in existence, we’ve found that as a group, medalist-rated funds (gold, silver or bronze) have outperformed neutral or negatively rated funds,

after receiving their ratings.

Only funds available for sale through discount brokerages were considered.

WHAT WE FOUND

The funds that met the above requirements are listed in the accompanying table alongside their management expense ratios, ratings, trailing returns and inception dates. Remember, the ratings posted are relative to category averages. As such, it is important to first look at the category

to which each fund belongs to gain an understanding of the types of securities the fund holds and whether they fit into your overall portfolio and risk profile. The table is sorted first by broad category group (fixed income, equities, allocation) then by Morningstar category. Note that the allocation group are also known as balanced funds.

This article does not constitute financial advice. It is always recommended to speak with a financial adviser or professional before investing.

**Note: Pembroke does not charge management fees at the Fund level for the Funds in this article. Management fees are charged outside of the Fund to investors directly and are not part of the MER. The management fees are established on the amount of assets invested with Pembroke.