

BEST AUSTRALIAN FIXED-INTEREST FUNDS

GOLD WINNERS PERENNIAL AND SCHRODER

You don't have to take on a lot of risk to get a decent return

If you're looking for a better return than cash but don't want to take on too much risk, these are the funds for you. As you can see from the table, the one-year returns are hovering around 6%, which is a good 2% more than you could earn from some of the best-paying cash accounts.

In top spot, for the second consecutive year, is Perennial. For domestic bond exposure, **Perennial Australian Fixed Interest** is a fine choice, says Morningstar's report on the fund.

The trust invests in Commonwealth and semi-government bonds, corporate debt and asset-backed securities. It is overweight in corporate

RANK	FUND	APIR CODE	START DATE	RETURNS (%PA)			ENTRY FEE	MER/ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT			
1	Perennial Fixed Interest Ws	IOF0046AU	28-Jun-94	6.04%	6.71%	7.60%	none	0.47%	\$25,000
1	Schroder Fixed Income Ws	SCH0028AU	15-Jan-04	5.56%	6.01%	6.53%	none	0.50%	\$25,000
2	Nikko AM Australian Bond	TYNO104AU	30-Jun-00	6.14%	5.82%	6.47%	none	0.45%	\$25,000
2	UBS Australian Bond	SBC0813AU	30-Nov-89	6.10%	5.96%	8.64%	none	0.45%	\$20,000
3	PIMCO EQT Ws Aust Bond	ETL0015AU	31-Jul-99	5.99%	6.18%	6.78%	none	0.50%	\$20,000

Source: Morningstar.

and semi-government bonds, according to its September monthly report.

"We feel these sectors will continue to benefit from positive underlying fundamentals and strong demand for higher-yielding alternatives to sovereign

bonds," says Morningstar.

Sharing first place is **Schroder Fixed Income Fund**. It takes a multi-sector approach, explains Morningstar, with investments in cash and domestic government and corporate paper, but it can also roam across foreign bonds,

emerging markets and high-yield debt when it identifies compelling opportunities.

Nikko AM Australian Bond Fund, formerly Tyndall Australian Bond Fund, has delivered strong returns over a decade, says Morningstar.

BEST INCOME FUNDS

GOLD WINNERS BENTHAM AND FRANKLIN TEMPLETON

The risk is higher but a global view opens up more opportunities

Two funds share first place in this new category, Best Income Funds, which *Money* introduced because of the growing number of investors on the hunt for high yields.

Of course, to get the higher return you must be willing to take on more risk, so these funds carry more risk than the funds in the fixed-interest category.

Bentham Global Income Fund provides exposure to domestic and global credit markets. A global focus provides more investment opportunities when compared with managers who restrict themselves to domestic fixed-income markets, says Bentham. Morningstar's

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				1 YEAR	3 YEAR	INCEPT			
1	Bentham Ws Global Income	CSA0038AU	16-Sep-03	9.49%	13.05%	8.23%	none	0.72%	\$10,000
1	Franklin Templeton MS Bond Ws	FRT0011AU	4-Aug-09	8.53%	12.50%	13.11%	none	0.93%	\$25,000
2	Macquarie Inc Opportunities	MAQ0277AU	19-Sep-03	4.41%	5.87%	5.81%	1.00%	0.49%	\$20,000

Source: Morningstar.

report on the fund says Bentham Global Income has been a leading performer since opening in 2003, its performance surpassing that of most peers and the category benchmark.

Franklin Templeton Multisector Bond Fund invests in a range of global fixed-income

securities and currencies and it is recommended for investors with a long-term view of at least five years. Morningstar describes the fund as "outstanding for intrepid investors".

Taking out second place is **Macquarie Income Opportunities Fund**. Morningstar says

the fund manages risk prudently, which sets it on the path to long-term success. It invests predominantly in Australian fixed income and credit-based securities but may have exposure to global credit securities, global high-yield credit securities, emerging market debt securities and hybrids.