

December 2014

The Quest for Alpha



**An Analysis of the Performances of Collective Investments:
Actively-managed Equity Funds versus Benchmarks**

Quarter ended December 2014

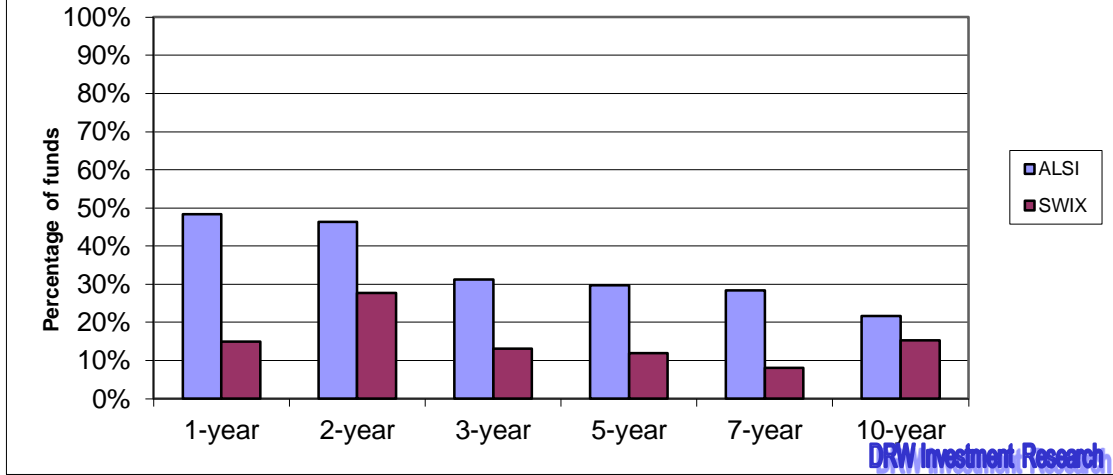
DRW Investment Research

1. Outperformance

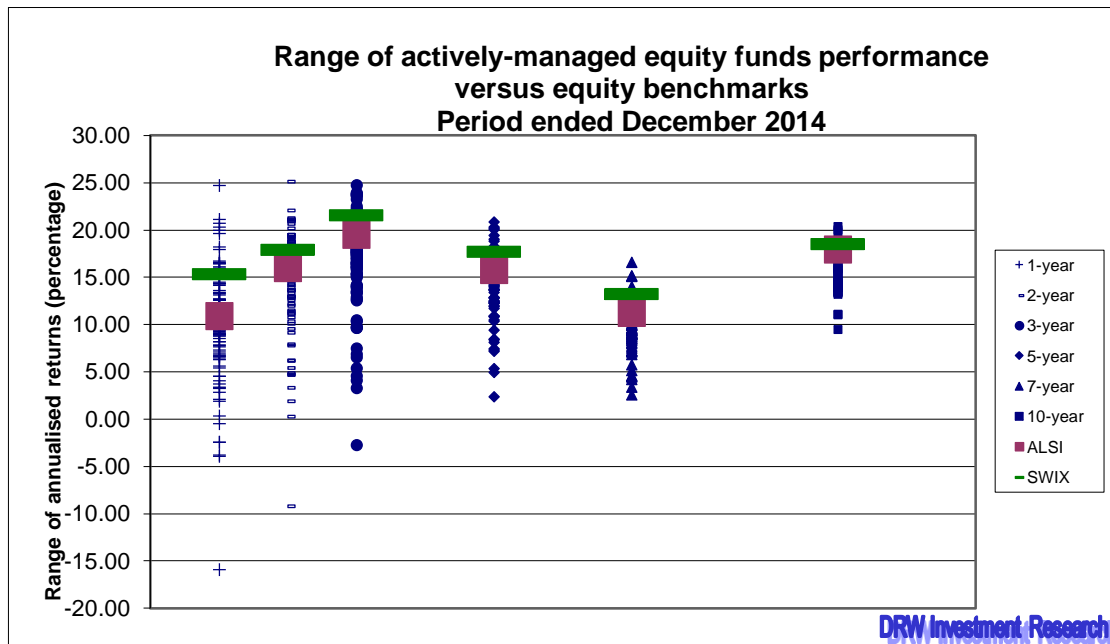
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the current performance database. Typically, such an exclusion of terminated funds inflates the averages of fund performances over time.
- 3) The performance data were collected from the *Morningstar* fund performance database for the quarter ended **31 December 2014** and were gratefully provided by *Nedgroup Investments*.
- 4) The annualised returns for 2-year, 3-year, 5-year, 7-year and 10-year holding periods are shown.
- 5) The Total Return Indices (dividends re-invested) of the FTSE JSE All Share Index (ALSI) and Shareholder Weighted Index (SWIX) are used as equity performance benchmarks.

| Equity Funds | 1-year | 2-year | 3-year | 5-year | 7-year | 10-year |
|-----------------------------------|------------|------------|------------|------------|------------|------------|
| Number of funds | 120 | 108 | 99 | 84 | 74 | 46 |
| Best performing fund | 24.7% | 25.2% | 24.8% | 20.9% | 16.6% | 20.4% |
| Worst performing fund | -15.9% | -9.2% | -2.7% | 2.4% | 2.6% | 9.5% |
| Top quartile | 13.3% | 18.2% | 20.2% | 16.0% | 11.7% | 17.7% |
| Median | 10.8% | 15.8% | 17.7% | 14.8% | 9.5% | 15.4% |
| Bottom quartile | 7.8% | 13.0% | 15.3% | 12.4% | 8.5% | 14.1% |
| Average fund performance | 10.3% | 14.9% | 16.9% | 14.1% | 9.7% | 15.7% |
| Benchmark: ALSI | 10.9% | 16.0% | 19.5% | 15.8% | 11.3% | 18.0% |
| % Funds outperforming ALSI | 48% | 46% | 31% | 30% | 28% | 22% |
| Benchmark: SWIX | 15.4% | 18.0% | 21.6% | 17.8% | 13.3% | 18.6% |
| % Funds outperforming SWIX | 15% | 28% | 13% | 12% | 8% | 15% |

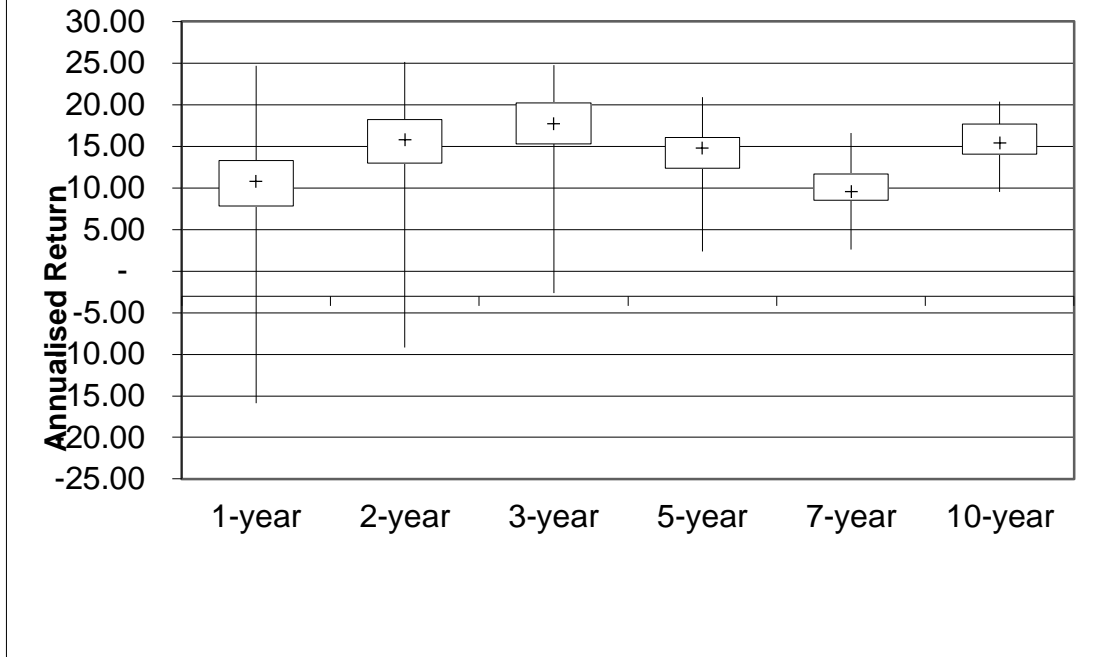
**Percentage of actively-managed equity funds outperforming equity benchmarks
Period ended December 2014**



2. Fund Performance Range



Equity funds performance range
Maximum, Top quartile, Median, Bottom quartile, Minimum
December 2014



Top of vertical line stretching above box:

Top-performing fund

Upper horizontal boundary of box:

Top-quartile range

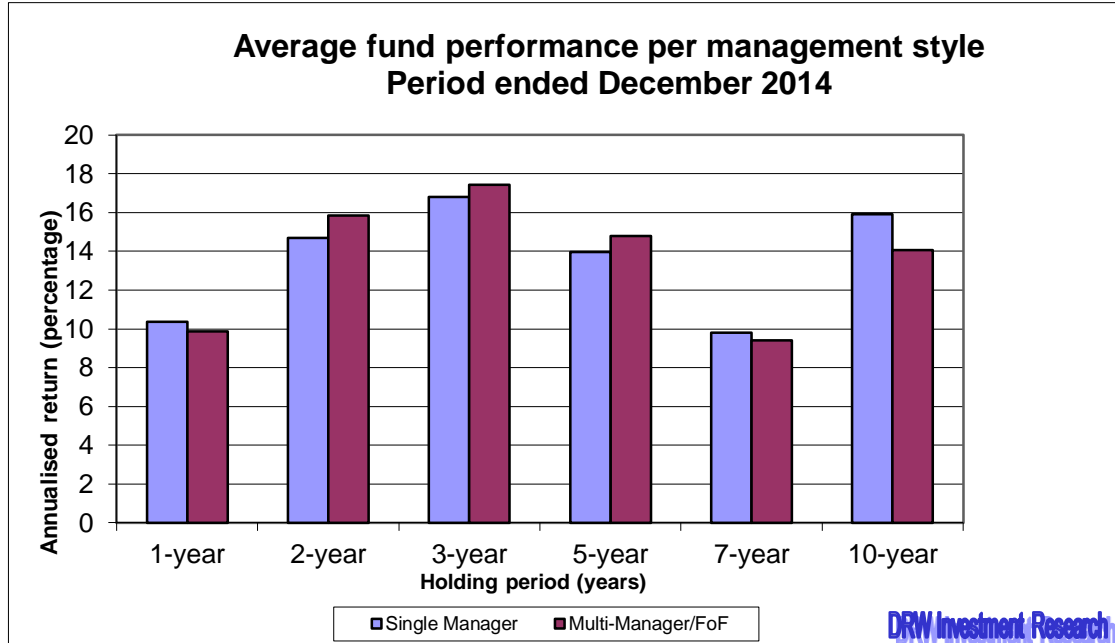
Bottom horizontal boundary of box:

Bottom-quartile range

Bottom of vertical line below box:

Worst-performing fund

3. Fund Management Style



4. Index Investing: ETF and Index Tracker Unit Trust Performances

| ETF performance sample | One-year | Two-year | Three-year | Five-year | Seven-year | Ten-year |
|------------------------------|----------|----------|------------|-----------|------------|----------|
| RMB Top 40 Portfolio | 8.9% | 15.5% | 18.8% | 14.9% | | |
| Satrix 40 Portfolio | 8.1% | 14.9% | 18.3% | 14.5% | 10.1% | 17.1% |
| Satrix SWIX Top 40 Portfolio | 13.0% | 17.1% | 20.6% | 16.5% | 11.5% | |
| Stanlib Top 40 | 5.9% | 13.2% | 17.0% | | | |
| Stanlib Swix Top 40 | 10.8% | 15.3% | 19.2% | | | |

Source: ETFSA,
Performance survey,
December 2014

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Average actively-managed equity funds | 10.3% | 14.9% | 16.9% | 14.1% | 9.7% | 15.7% |
| Top quartile actively-managed equity funds | 13.3% | 18.2% | 20.2% | 16.0% | 11.7% | 17.7% |
| Median actively-managed equity fund | 10.8% | 15.8% | 17.7% | 14.8% | 9.5% | 15.4% |
| Bottom quartile actively-managed equity funds | 7.8% | 13.0% | 15.3% | 12.4% | 8.5% | 14.1% |

| Index Unit Trust Investments sample | One-year | Three-year | Five-year | Ten-year |
|-------------------------------------|----------|------------|-----------|----------|
| Kagiso Top 40 Tracker Fund | 8.2% | 18.2% | 14.3% | 16.8% |
| Old Mutual Top 40 Fund | 8.1% | 18.0% | 14.1% | 16.1% |
| Momentum Top 40 Index Fund | 8.4% | 18.2% | 14.2% | 16.4% |
| Gryphon All Share Tracker Fund | 10.5% | 19.6% | 15.6% | 16.9% |
| Satrix ALSI Index Fund | 10.1% | 18.7% | 15.1% | |
| Stanlib Index Fund | 10.3% | 18.9% | 15.0% | 17.2% |

Source: ETFSA, Performance survey,
December 2014

| | | | | |
|---|-------|-------|-------|-------|
| Average actively-managed equity funds | 10.3% | 16.9% | 14.1% | 15.7% |
| Top quartile actively-managed equity funds | 13.3% | 20.2% | 16.0% | 17.7% |
| Median actively-managed equity fund | 10.8% | 17.7% | 14.8% | 15.4% |
| Bottom quartile actively-managed equity funds | 7.8% | 15.3% | 12.4% | 14.1% |

5. Top Performing Equity Funds (Top Quartile Performers)

One-year period

| Fund | Ann Return |
|--|------------|
| Anchor BCI Equity A | 24.72 |
| Clarus MET Optimal A | 21.16 |
| Grindrod Equity Income Growth | 20.72 |
| Marriott Dividend Growth R | 20.34 |
| Clarus MET Value A | 19.99 |
| Indequity Technical | 19.66 |
| Fairtree Equity Prescient A1 | 18.25 |
| IP Equity | 17.95 |
| Momentum Best Blend Specialist Eq A | 16.76 |
| Melville Douglas High Alpha | 16.62 |
| Seed Equity | 16.58 |
| Prescient Equity Income A1 | 16.49 |
| Investec Equity R | 16.47 |
| Harvard House BCI Equity | 16.45 |
| Trillian IP FCF Equity | 16.17 |
| Old Mutual Investors R | 16.01 |
| Mergence Equity Prescient A1 | 15.94 |
| Prime General Equity B | 15.92 |
| Truffle General Equity A | 15.23 |
| Imara MET Equity | 15.21 |
| MitonOptimal IP High Conviction Equity A | 14.96 |
| Discovery Dynamic Equity | 14.82 |
| Foord Equity R | 14.50 |
| 27four Shari'ah Active Eq. Prescient A1 | 14.40 |
| Prescient Eqty Active Quant A1 | 14.37 |
| PSG Equity A | 14.30 |
| Old Mutual Active Quant Equity A | 14.17 |
| Allan Gray Equity A | 13.61 |
| Sygnia Equity A | 13.44 |
| Mazi Capital MET Equity A1 | 13.34 |

Two-year period (annualised)

| Fund | Ann Return |
|--|------------|
| PSG Equity A | 25.17 |
| 36ONE MET Equity | 22.08 |
| Momentum Best Blend Specialist Eq A | 21.28 |
| Harvard House BCI Equity | 21.15 |
| Old Mutual Investors R | 21.15 |
| Indequity Technical | 21.05 |
| Fairtree Equity Prescient A1 | 21.03 |
| Foord Equity R | 20.94 |
| SIM Top Choice Equity A1 | 20.67 |
| Melville Douglas High Alpha | 20.19 |
| Truffle General Equity A | 19.55 |
| Mergence Equity Prescient A1 | 19.53 |
| Coronation Equity R | 19.50 |
| Prudential Equity A | 19.31 |
| SIM General Equity R | 19.27 |
| 27four Shari'ah Active Eq. Prescient A1 | 19.12 |
| Aylett Equity Prescient A3 | 18.86 |
| Marriott Dividend Growth R | 18.84 |
| Momentum Top 25 R | 18.80 |
| Investec Equity R | 18.77 |
| Mazi Capital MET Equity A1 | 18.75 |
| Investec Active Quants A | 18.61 |
| MitonOptimal IP High Conviction Equity A | 18.57 |
| PSG MM Equity FoF A | 18.48 |
| Prudential Dividend Maximiser A | 18.41 |
| Old Mutual Active Quant Equity A | 18.36 |
| PSG Wealth Creator FoF D | 18.33 |

Three-year period (annualised)

| Fund | Ann Return |
|-------------------------------------|---------------|
| Harvard House BCI Equity | 24.80 |
| Mazi Capital MET Equity A1 | 24.01 |
| Fairtree Equity Prescient A1 | 23.89 |
| Foord Equity R | 23.89 |
| Melville Douglas High Alpha | 23.72 |
| Momentum Best Blend Specialist Eq A | 23.69 |
| PSG Equity A | 23.31 |
| Old Mutual Active Quant Equity A | 22.59 |
| Sasfin MET Equity A | 22.29 |
| Ashburton SA Equity B1 | 22.14 |
| Marriott Dividend Growth R | 22.11 |
| Imara MET Equity | 21.90 |
| Coronation Equity R | 21.67 |
| Mergence Equity Prescient A1 | 21.51 |
| Old Mutual Investors R | 21.39 |
| STANLIB Equity R | 21.27 |
| Indequity Technical | 21.13 |
| SIM Top Choice Equity A1 | 21.13 |
| Prudential Equity A | 21.12 |
| Stewart MET Macro Equity FoF A | 20.77 |
| SIM General Equity R | 20.62 |
| Truffle General Equity A | 20.56 |
| Investec Equity R | 20.51 |
| Aeon Enhanced Equity Prescient A | 20.49 |
| Investec Active Quants A | 20.26 |

Five-year period (annualised)

| Fund | Ann Return |
|-------------------------------------|---------------|
| Foord Equity R | 20.89 |
| Harvard House BCI Equity | 20.34 |
| Sasfin MET Equity A | 20.19 |
| Momentum Best Blend Specialist Eq A | 20.09 |
| Marriott Dividend Growth R | 19.44 |
| PSG Equity A | 19.05 |
| Imara MET Equity | 18.82 |
| STANLIB Equity R | 18.34 |
| Coronation Equity R | 18.15 |
| Old Mutual Active Quant Equity A | 17.97 |
| Prudential Equity A | 17.30 |
| SIM General Equity R | 17.29 |
| SIM Top Choice Equity A1 | 17.26 |
| Coronation Top 20 A | 17.09 |
| Investec Active Quants A | 16.99 |
| STANLIB SA Equity R | 16.96 |
| Stewart MET Macro Equity FoF A | 16.81 |
| Old Mutual Investors R | 16.64 |
| PSG Wealth Creator FoF D | 16.53 |
| STANLIB MM All Stars Eq FoF A | 16.45 |
| Prudential Dividend Maximiser A | 16.31 |

Seven-year period (annualised)

| Fund | Ann Return |
|-------------------------------------|------------|
| Marriott Dividend Growth R | 16.62 |
| Coronation Top 20 A | 15.21 |
| Foord Equity R | 15.15 |
| Coronation Equity R | 14.07 |
| Momentum Best Blend Specialist Eq A | 13.85 |
| Aylett Equity Prescient A3 | 13.67 |
| Prudential Dividend Maximiser A | 13.29 |
| Nedgroup Inv Value R | 13.19 |
| Prudential Equity A | 13.06 |
| Harvard House BCI Equity | 12.91 |
| ABSA Select Equity | 12.79 |
| ABSA Large Cap | 12.67 |
| PSG Equity A | 12.59 |
| SIM General Equity R | 12.49 |
| Old Mutual Active Quant Equity A | 12.23 |
| SIM Top Choice Equity A1 | 12.07 |
| Investec Active Quants A | 11.88 |
| Old Mutual Investors R | 11.88 |
| Allan Gray Equity A | 11.72 |

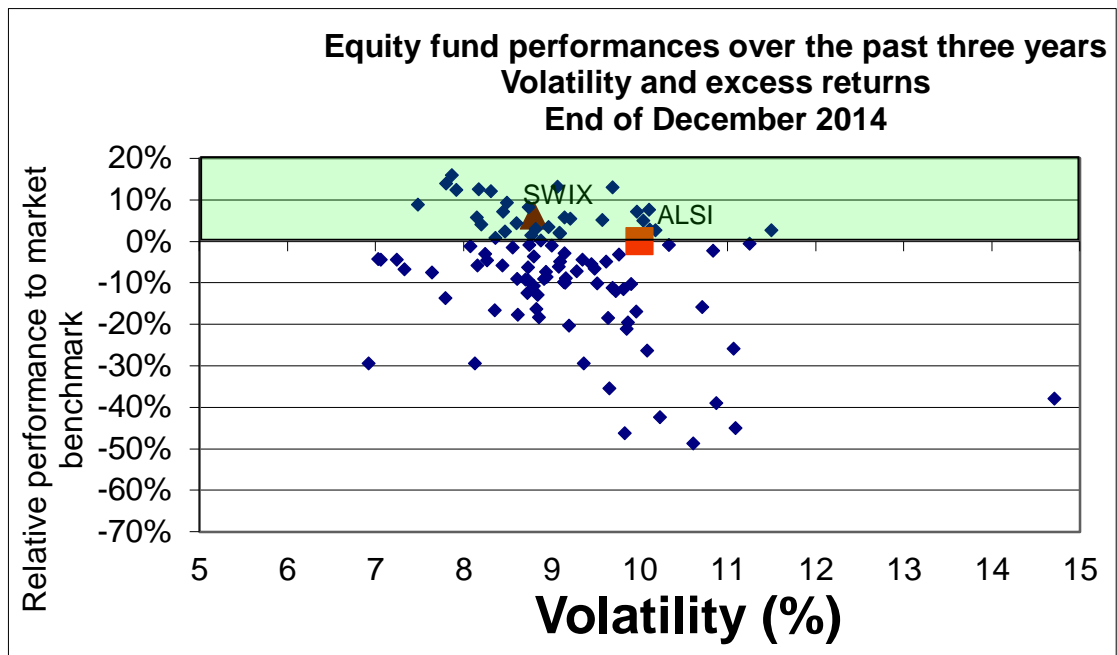
Ten-year period (annualised)

| Fund | Ann Return |
|---------------------------------|------------|
| Coronation Top 20 A | 20.39 |
| Foord Equity R | 20.10 |
| ABSA Large Cap | 19.84 |
| Prudential Equity A | 19.00 |
| Coronation Equity R | 18.84 |
| ABSA Select Equity | 18.79 |
| Prudential Dividend Maximiser A | 18.61 |
| Allan Gray Equity A | 18.30 |
| SIM General Equity R | 18.18 |
| PSG Equity A | 18.14 |
| Nedgroup Inv Value R | 17.83 |
| Kagiso Equity Alpha | 17.77 |

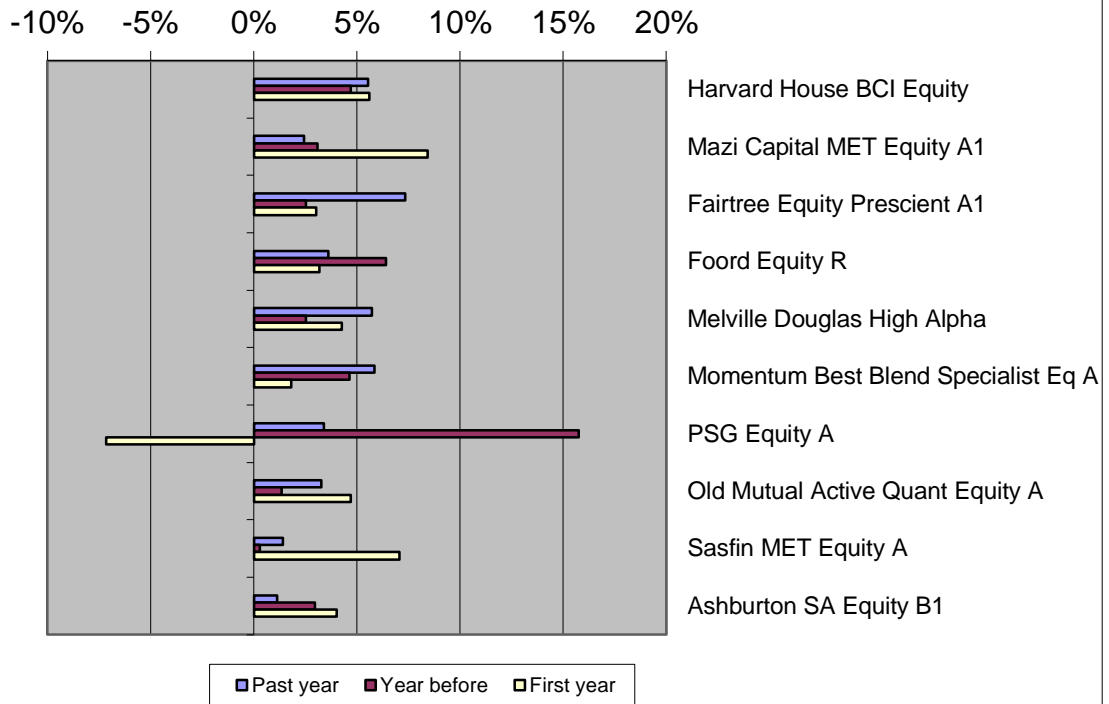
6. Persistence of Fund Performance (annualised returns)

| Fund | 10-year | 7-year | 5-year | 3-year | 2-year | 1-year |
|--------------------------------------|---------|--------|--------|--------|--------|--------|
| Coronation Top 20 A | 22.1 | 14.8 | 18.8 | 22.5 | 21.2 | 9.6 |
| Prudential Equity A | 21.1 | 12.6 | 18.7 | 23.7 | 23.0 | 16.5 |
| Foord Equity R | 21.0 | 13.9 | 21.8 | 26.3 | 24.0 | 17.2 |
| Prudential Dividend Maximiser A | 20.9 | 13.0 | 17.9 | 22.8 | 22.4 | 16.8 |
| Coronation Equity R | 20.6 | 13.7 | 19.9 | 24.2 | 24.0 | 12.7 |
| Kagiso Equity Alpha | 20.5 | 11.3 | 16.5 | 18.1 | 19.1 | 11.1 |
| ABSA Select Equity | 20.3 | 12.5 | 16.2 | 19.0 | 17.2 | 14.9 |
| ABSA Large Cap | 20.2 | 12.2 | 17.3 | 22.0 | 22.0 | 15.7 |
| SIM Value R | 20.1 | 11.2 | 16.2 | 20.1 | 19.8 | 14.3 |
| SIM General Equity R | 19.9 | 12.3 | 18.6 | 23.7 | 23.5 | 18.0 |
| Allan Gray Equity A | 19.7 | 12.1 | 17.6 | 20.8 | 21.5 | 20.3 |
| PSG Equity A | 19.4 | 11.9 | 20.5 | 25.7 | 28.9 | 20.4 |
| Nedgroup Inv Value R | 19.1 | 12.0 | 16.4 | 18.1 | 14.8 | 11.9 |
| Marriott Dividend Growth R | 18.6 | 14.7 | 19.5 | 21.9 | 18.7 | 21.1 |
| Old Mutual Active Quant Equity A | 18.4 | 11.4 | 19.1 | 25.2 | 22.4 | 17.9 |
| Nedgroup Inv Rainmaker A | 18.4 | 10.3 | 15.6 | 18.8 | 18.2 | 16.3 |
| Nedgroup Inv Growth R | 18.3 | 9.0 | 16.2 | 19.1 | 20.0 | 14.7 |
| Old Mutual Investors R | 18.0 | 11.1 | 17.7 | 23.7 | 23.3 | 19.1 |
| Prescient Equity Quant A1 | 18.0 | 10.0 | 17.4 | 22.1 | 21.4 | 15.0 |
| STANLIB ALSI 40 A | 17.5 | 9.6 | 16.9 | 21.8 | 21.1 | 14.7 |
| Oasis General Equity D | 17.5 | 9.7 | 15.3 | 19.3 | 18.7 | 15.0 |
| Investec Equity R | 17.3 | 9.3 | 16.7 | 20.8 | 19.0 | 14.4 |
| Old Mutual Growth R | 17.3 | 9.4 | 14.3 | 18.5 | 19.1 | 15.6 |
| Nedgroup Inv Core Eq A | 16.9 | 9.3 | 14.5 | 17.2 | 16.5 | 13.2 |
| Momentum Equity R | 16.8 | 9.3 | 16.0 | 20.1 | 18.5 | 15.9 |
| Old Mutual Top Companies R | 16.7 | 9.8 | 15.2 | 19.1 | 19.8 | 16.5 |
| Investec Value R | 16.6 | 8.4 | 11.5 | 10.2 | 16.1 | 18.0 |
| STANLIB Equity R | 16.6 | 9.0 | 19.6 | 23.9 | 22.1 | 16.4 |
| MET General Equity | 16.6 | 9.5 | 16.1 | 22.6 | 19.5 | 16.4 |
| Community Growth Equity | 16.5 | 8.2 | 13.7 | 19.3 | 19.5 | 18.6 |
| FNB Momentum Growth | 16.5 | 9.2 | 15.9 | 18.7 | 18.1 | 15.6 |
| PSG MM Equity FoF A | 16.1 | 8.7 | 16.7 | 21.0 | 22.1 | 14.6 |
| Oasis Crescent Equity D | 16.1 | 7.4 | 13.8 | 17.9 | 18.4 | 13.8 |
| Momentum Best Blend Multifocus FoF A | 16.1 | 9.1 | 15.7 | 20.0 | 20.1 | 15.3 |
| STANLIB Value A | 16.0 | 6.5 | 11.7 | 13.8 | 10.5 | 2.3 |
| STANLIB Capital Growth R | 15.9 | 4.8 | 14.1 | 19.1 | 15.0 | 7.8 |
| SMMI Equity FoF A | 15.9 | 8.5 | 14.2 | 17.8 | 18.7 | 14.3 |
| Inv Solutions Equity FoF A | 15.9 | 8.5 | 14.4 | 16.8 | 18.3 | 13.2 |
| Old Mutual High Yield Opp A | 15.7 | 8.6 | 14.6 | 17.0 | 18.0 | 15.1 |
| STANLIB MM Equity A1 | 15.7 | 8.6 | 15.2 | 19.1 | 18.2 | 13.2 |
| STANLIB SA Equity R | 15.7 | 7.0 | 18.3 | 22.4 | 18.1 | 12.8 |
| Old Mutual SYmmETRY Equity FoF A | 15.5 | 7.8 | 13.1 | 16.0 | 16.0 | 14.1 |
| Old Mutual Albaraka Equity | 14.6 | 6.1 | 15.3 | 19.7 | 17.5 | 13.5 |
| Personal Trust High Yield Growth | 13.5 | 7.7 | 13.2 | 13.3 | 11.1 | 9.1 |
| Element Earth Equity A | 13.4 | 4.8 | 6.6 | 7.4 | 5.1 | 6.0 |
| Momentum Value A | 12.7 | 3.2 | 6.0 | 2.5 | -4.1 | -12.1 |
| ALSI | 18.8 | 10.6 | 18.0 | 22.2 | 21.1 | 15.4 |
| SWIX | 19.7 | 12.0 | 18.9 | 23.3 | 21.6 | 18.0 |

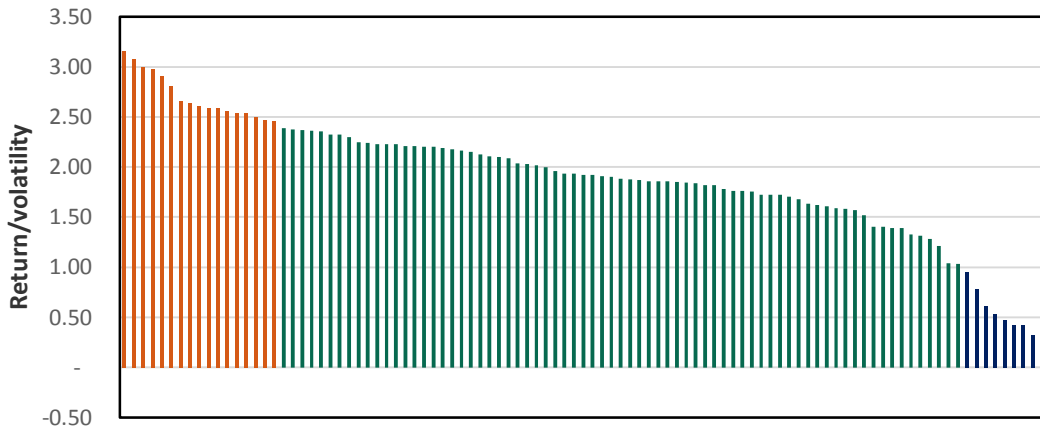
7. Volatility and Fund Performance (annualised returns)



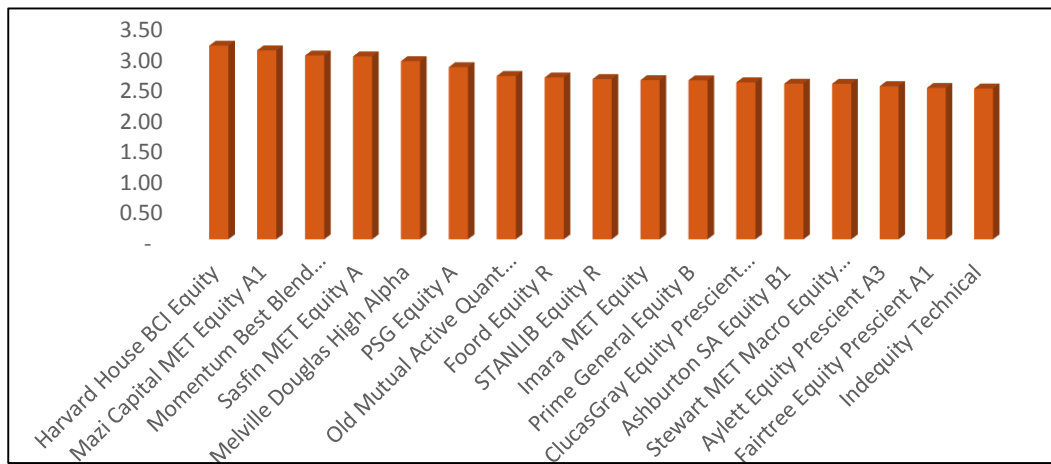
**Top-performing equity funds over the past three years
Performance relative to ALSI benchmark**



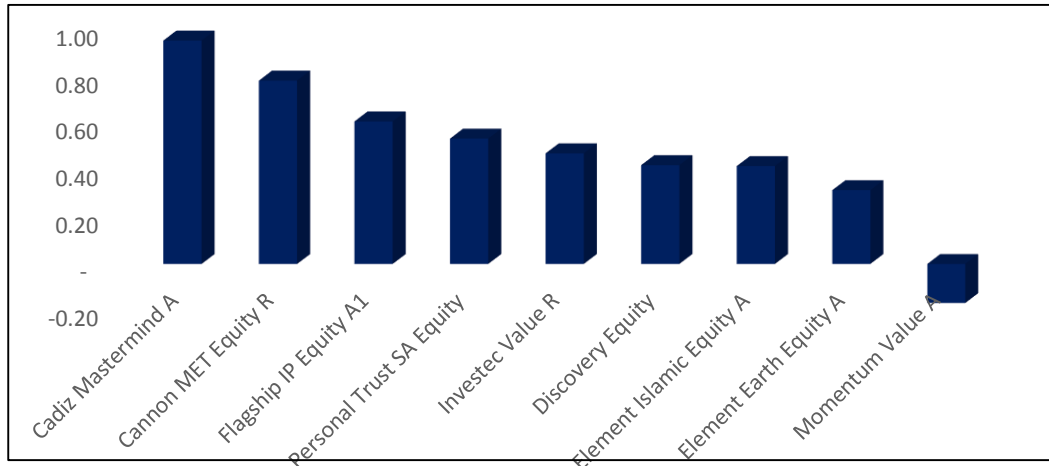
Three-year return relative to price volatility
December 2014



Top-performing equity funds
Three-year return relative to price volatility
December 2014



Worst-performing equity funds
Three-year return relative to price volatility
December 2014





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