

December 2014

The Quest for Alpha



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

Quarter ended December 2014

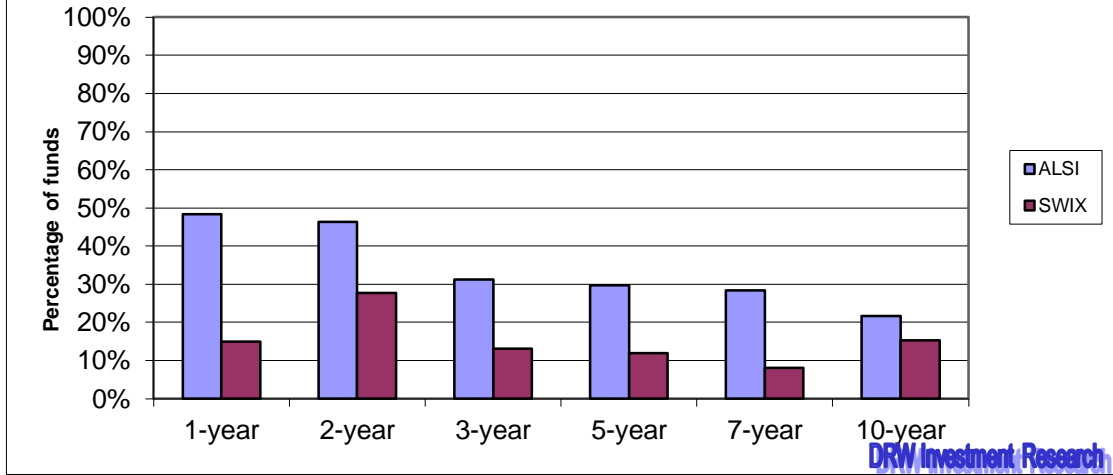
DRW Investment Research

1. Outperformance

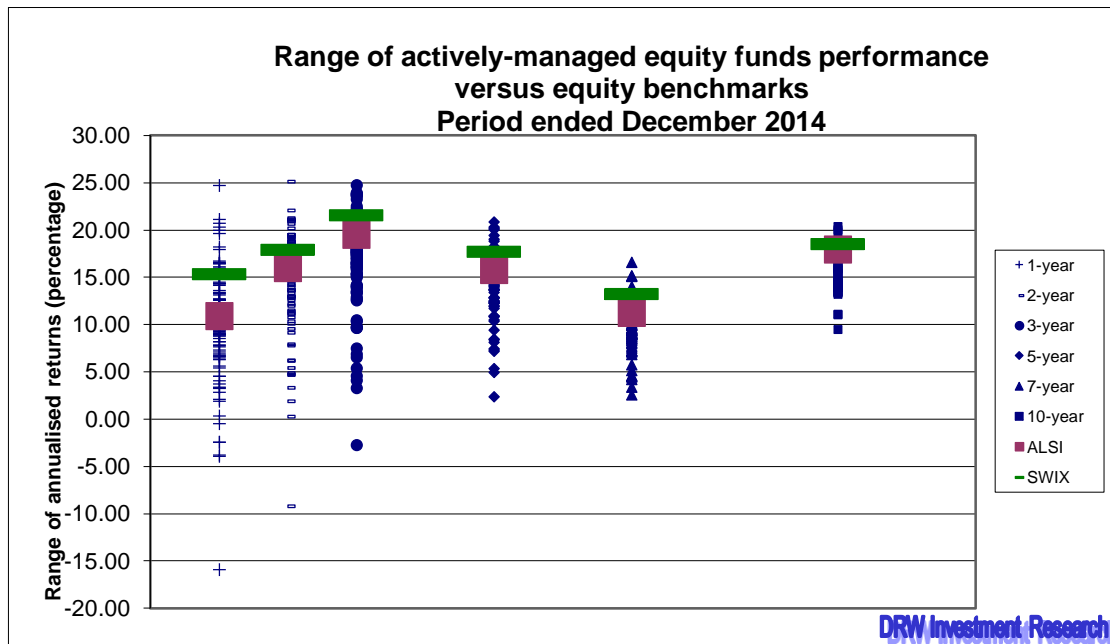
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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%

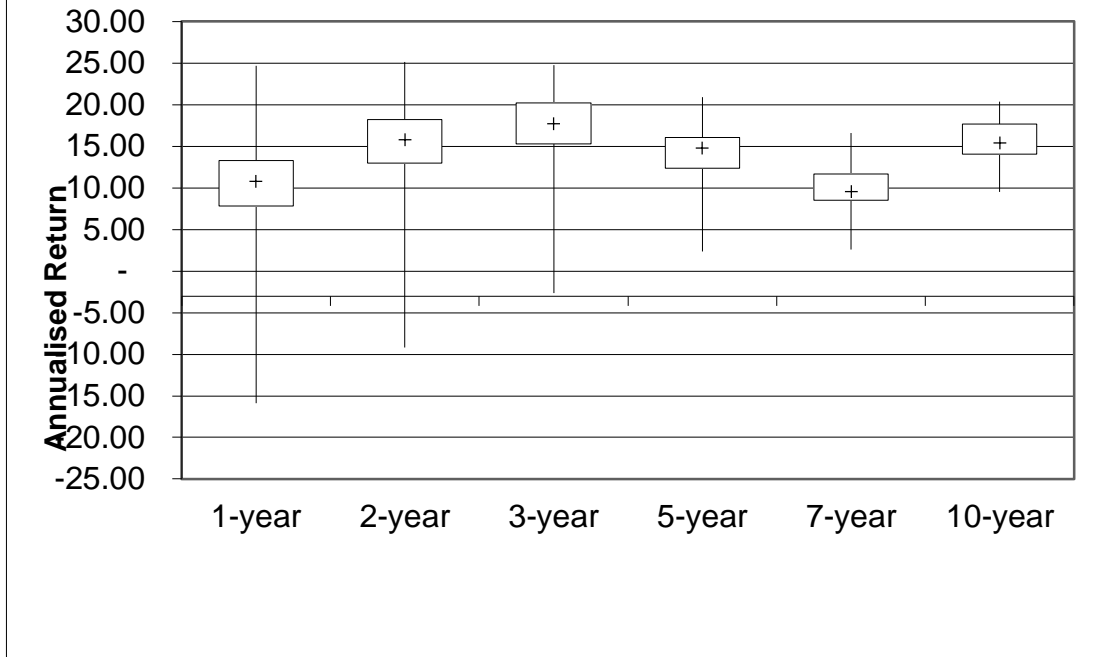
**Percentage of actively-managed equity funds outperforming equity benchmarks
Period ended December 2014**



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

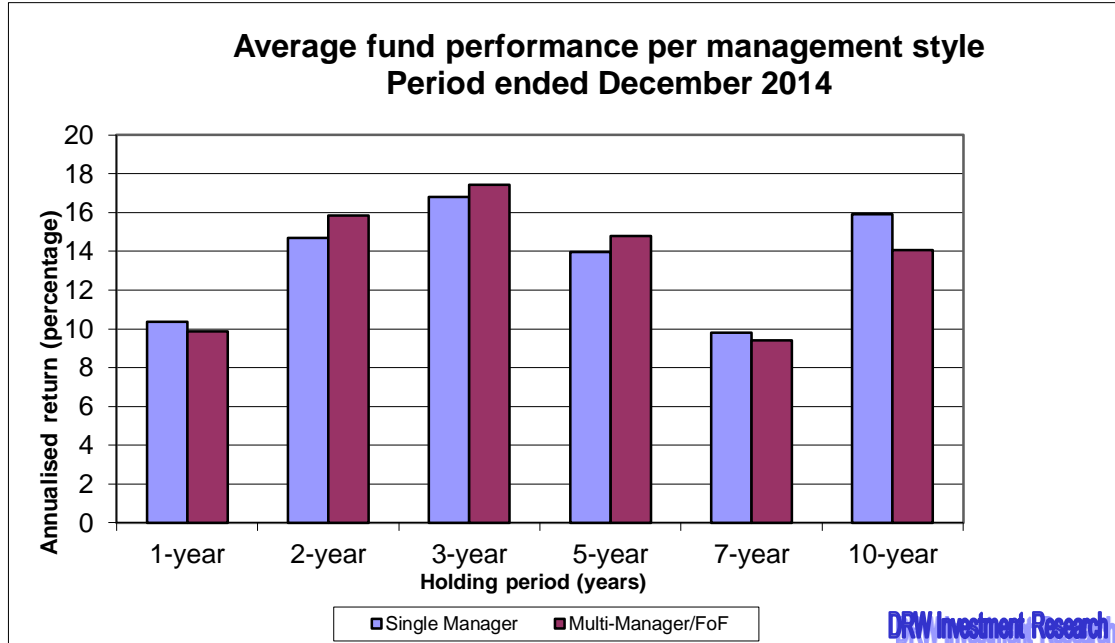
Bottom horizontal boundary of box:

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

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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

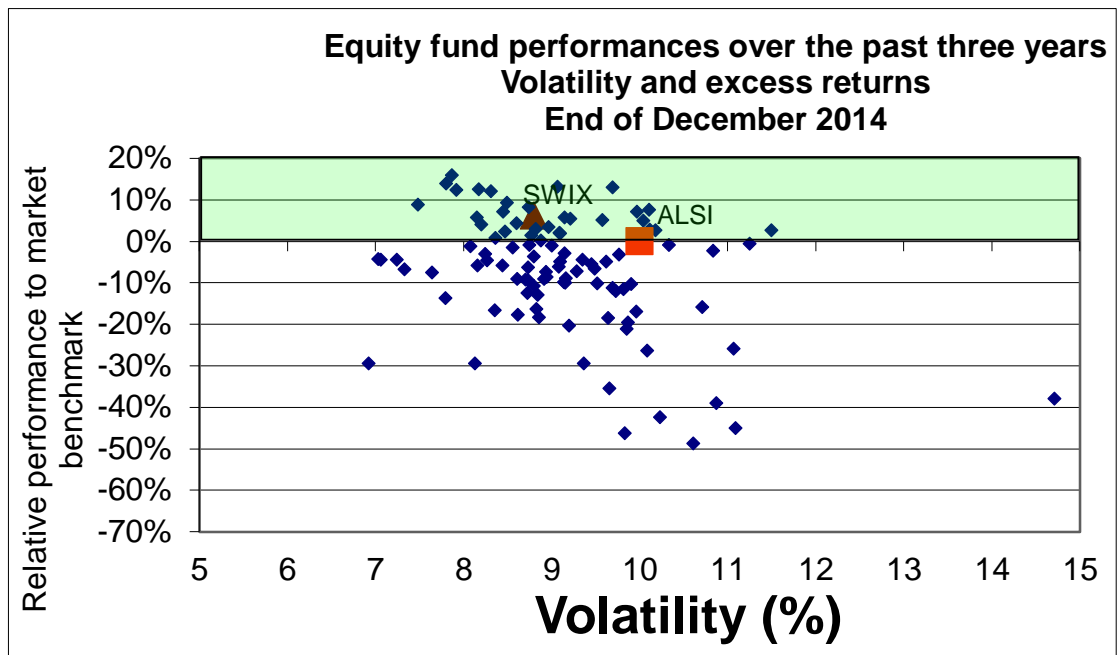
Ten-year period (annualised)

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

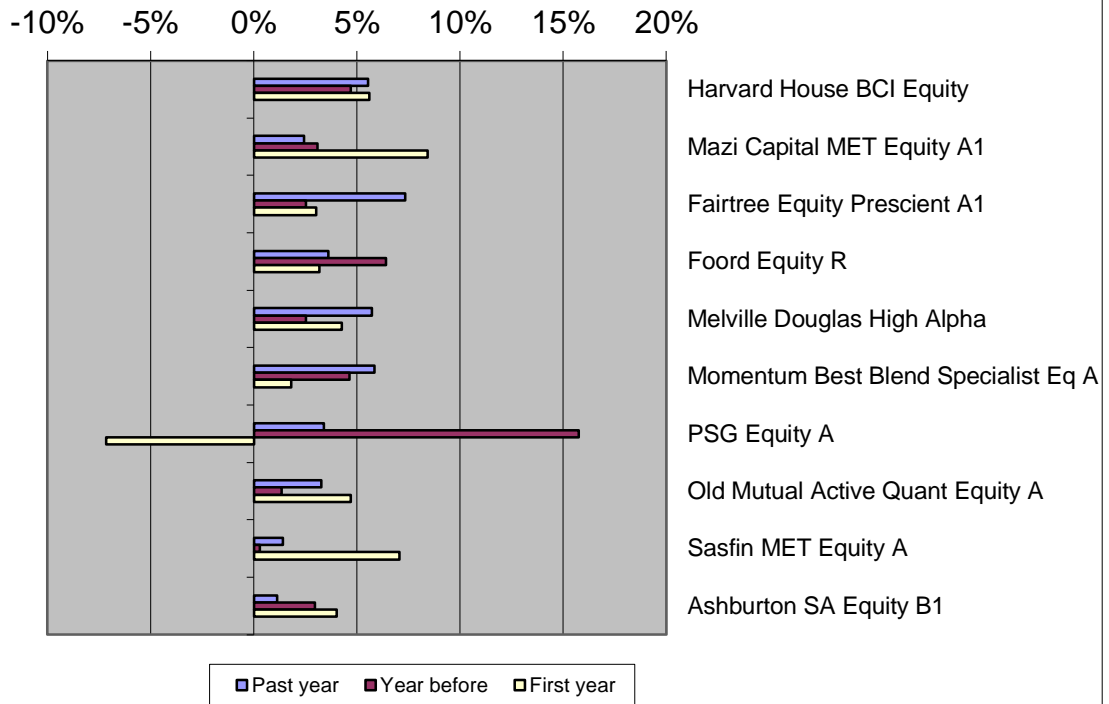
6. Persistence of Fund Performance (annualised returns)

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

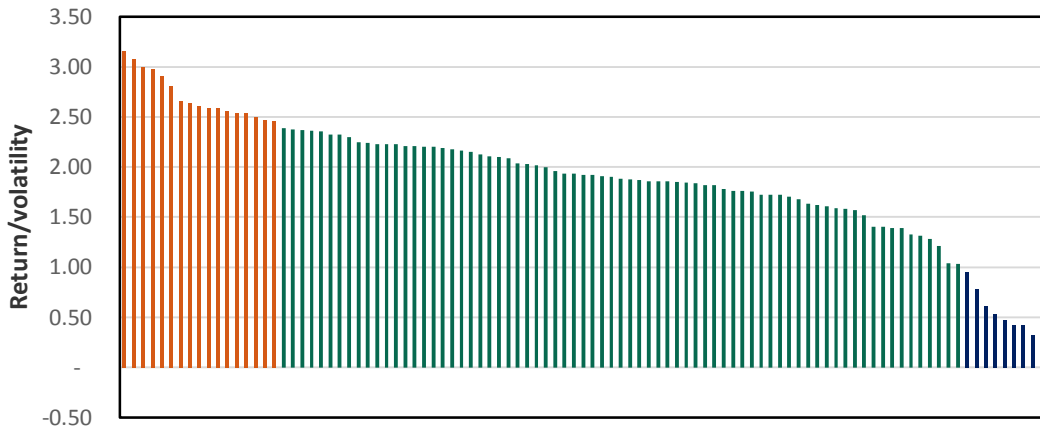
7. Volatility and Fund Performance (annualised returns)



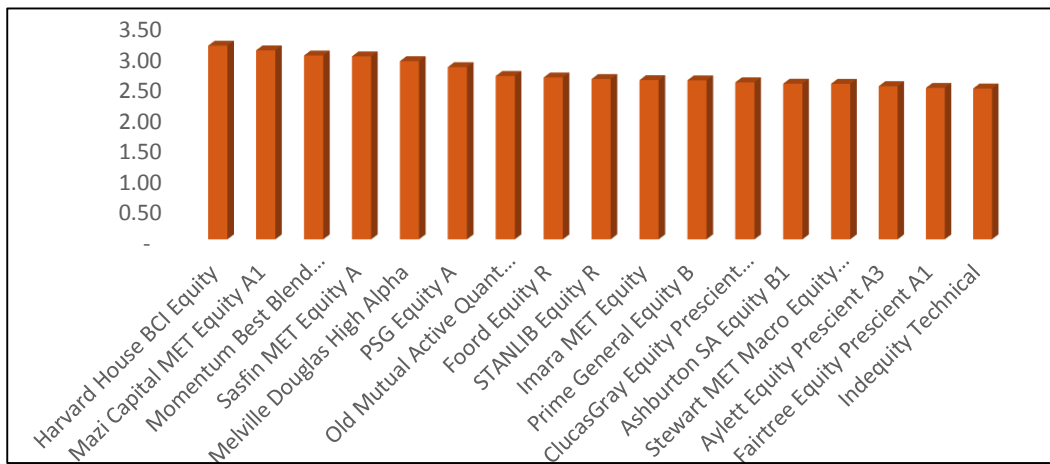
**Top-performing equity funds over the past three years
Performance relative to ALSI benchmark**



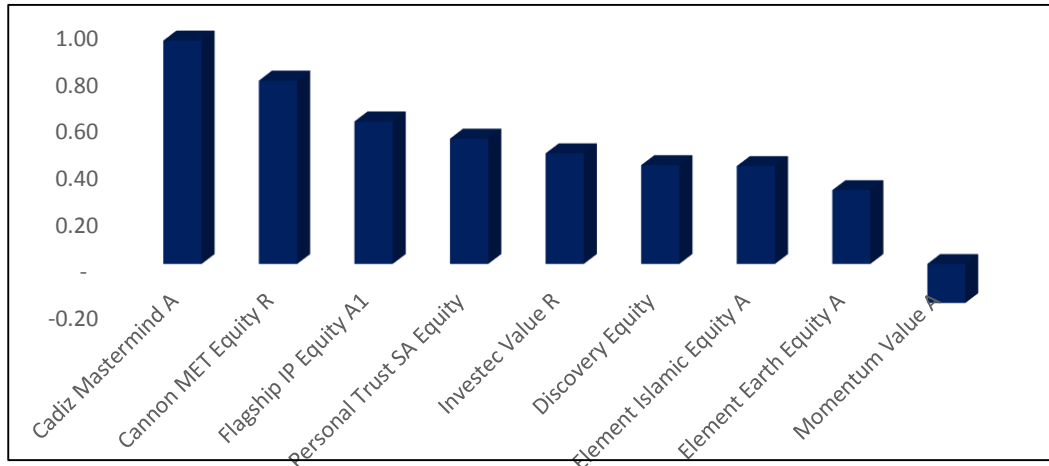
Three-year return relative to price volatility
December 2014



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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