

**December 2015**

## **The Quest for Alpha**



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

**Quarter ended December 2015**

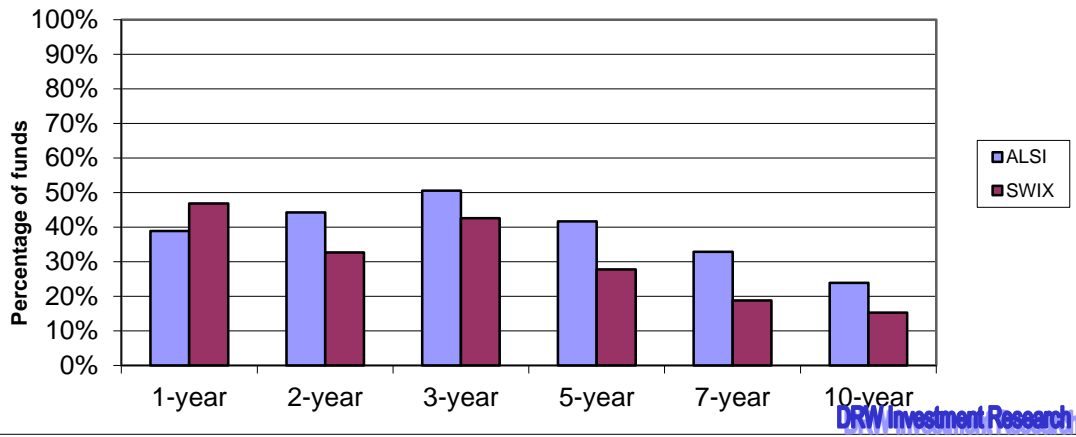
**DRW Investment Research**

## 1. Outperformance

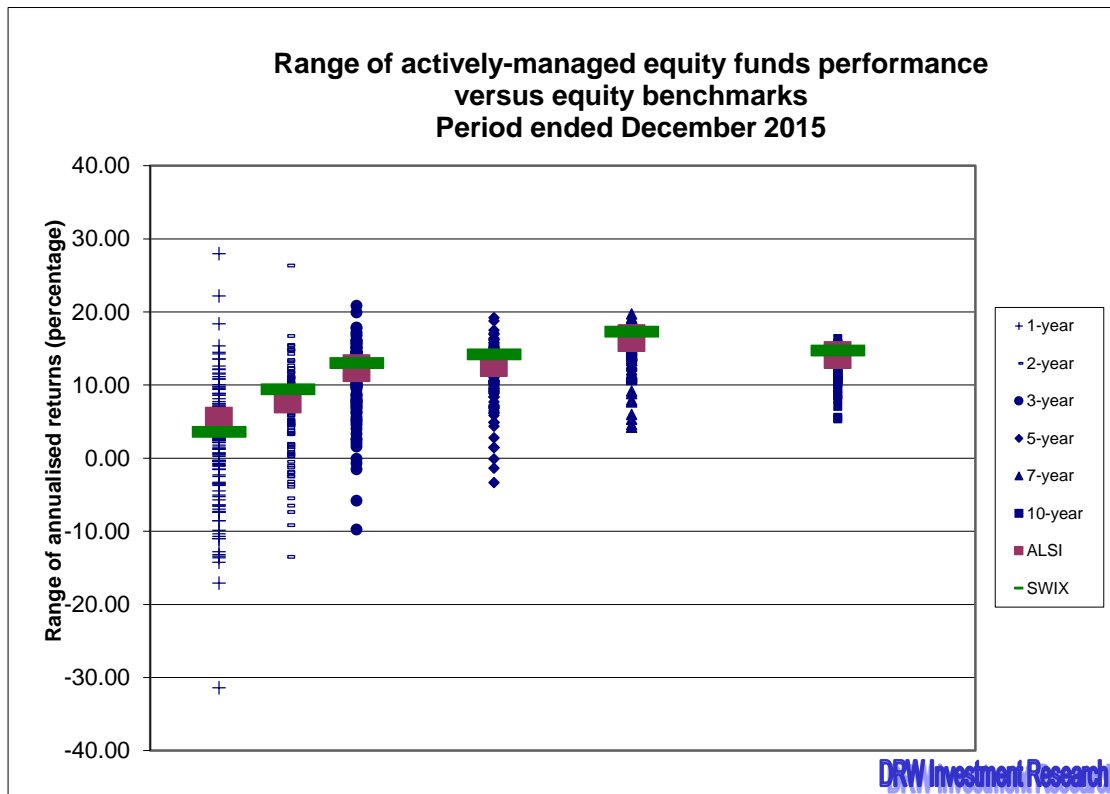
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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 2015** and it was gratefully provided by *Nedgroup Investments*.
- 4) Annualised returns are shown for 2-year, 3-year, 5-year, 7-year and 10-year holding periods.
- 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	126	95	87	72	64	46
Best performing fund	28.0%	26.3%	20.8%	19.2%	19.8%	16.4%
Worst performing fund	-31.4%	-13.5%	-9.8%	-3.3%	4.2%	5.4%
Top quartile	7.1%	10.2%	14.1%	14.0%	16.4%	14.0%
Median	2.8%	6.8%	11.2%	11.4%	14.4%	12.5%
Bottom quartile	-2.1%	3.4%	7.8%	8.7%	11.6%	10.7%
Average fund performance	2.2%	6.2%	10.5%	10.7%	14.0%	12.2%
Benchmark: ALSI	5.1%	8.0%	12.3%	13.0%	16.4%	14.1%
% Funds outperforming ALSI	39%	44%	51%	42%	33%	24%
Benchmark: SWIX	3.6%	9.4%	13.0%	14.2%	17.3%	14.7%
% Funds outperforming SWIX	47%	33%	43%	28%	19%	15%

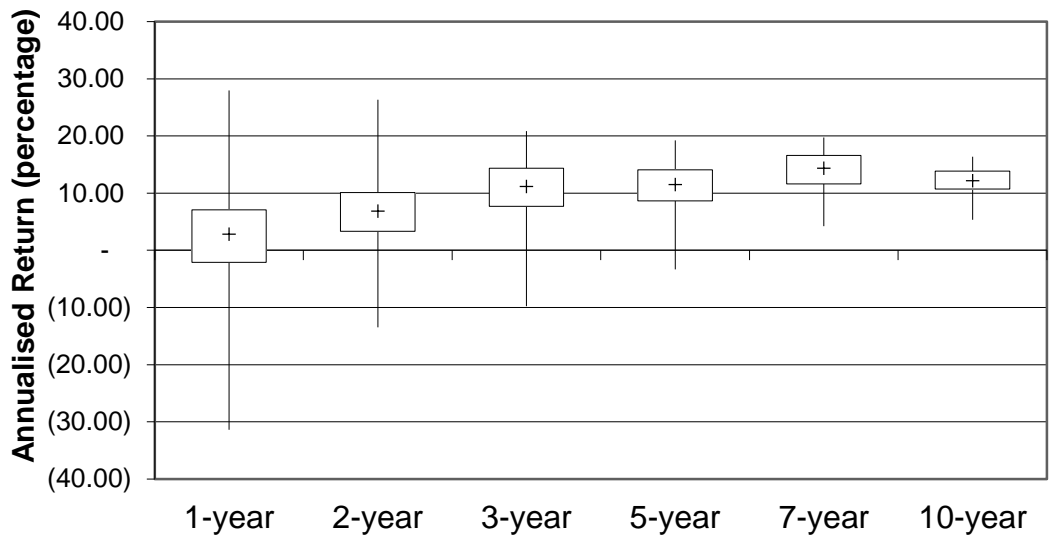
**Percentage of actively-managed equity funds outperforming equity benchmarks  
Period ended December 2015**



## 2. Fund Performance Range



**Equity funds performance range**  
**Maximum, Top quartile, Median, Bottom quartile, Minimum**  
**December 2015**



Top of vertical line above box:

Top-performing fund

Upper horizontal boundary of box:

Top-quartile range

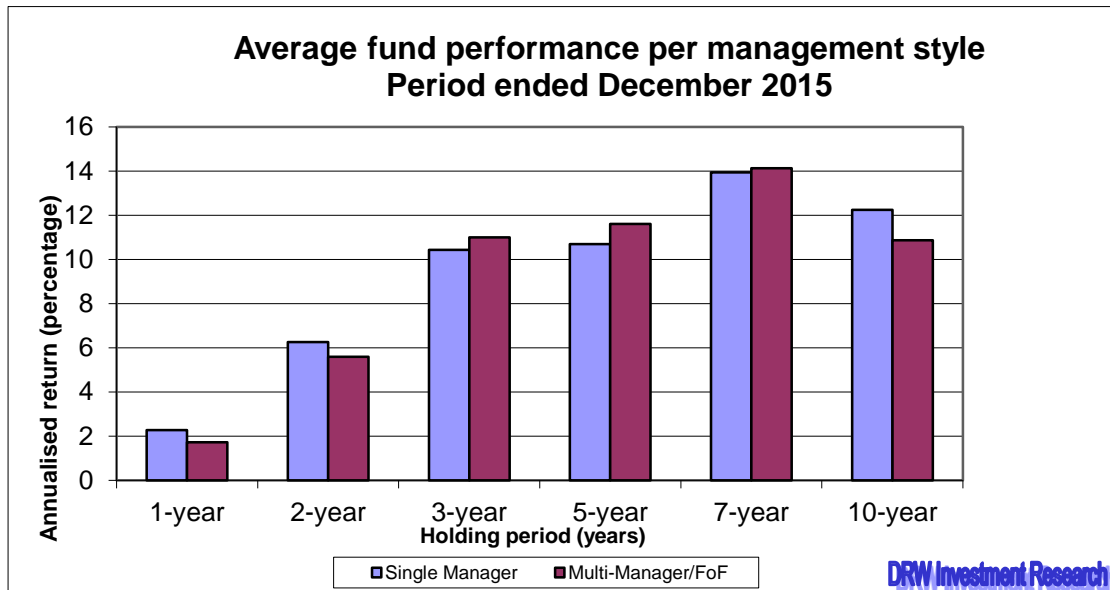
Bottom horizontal boundary of box:

Bottom-quartile range

Bottom of vertical line below box:

Worst-performing fund

### 3. Fund Management Style



#### 4. Actively-managed equity funds versus Index tracker funds

ETF performance sample	One-year	Two-year	Three-year	Five-year	Seven-year	Ten-year
RMB Top 40 Portfolio	7.3%	8.1%	12.7%	12.9%	16.0%	
Satrix 40 Portfolio	6.5%	7.5%	12.2%	12.5%	15.6%	13.4%
Satrix SWIX Top 40 Portfolio	5.1%	9.2%	13.2%	14.0%	16.5%	
Stanlib Top 40	7.2%	8.0%	12.7%	12.9%		
Stanlib Swix Top 40	5.9%	9.8%	13.7%	14.4%		

Source: ETFSA,  
Performance survey,  
December 2015

Average actively-managed equity funds	2.2%	6.2%	10.5%	10.7%	14.0%	12.2%
Top quartile actively-managed equity funds	7.1%	10.2%	14.1%	14.0%	16.4%	14.0%
Median actively-managed equity fund	2.8%	6.8%	11.2%	11.4%	14.4%	12.5%
Bottom quartile actively-managed equity funds	-2.1%	3.4%	7.8%	8.7%	11.6%	10.7%

Index Unit Trust Investments sample	One-year	Three-year	Five-year	Ten-year
Kagiso Top 40 Tracker Fund	6.5%	11.9%	12.3%	13.0%
Momentum Top 40 Index Fund	6.8%	12.1%	12.3%	12.7%
Gryphon All Share Tracker Fund	5.9%	12.6%	13.0%	13.5%
Satrix ALSI Index Fund	4.2%	11.3%	12.3%	
Stanlib Index Fund				

Source: ETFSA, Performance survey,  
December 2015

Average actively-managed equity funds	2.2%	10.5%	10.7%	12.2%
Top quartile actively-managed equity funds	7.1%	14.1%	14.0%	14.0%
Median actively-managed equity fund	2.8%	11.2%	11.4%	12.5%
Bottom quartile actively-managed equity funds	-2.1%	7.8%	8.7%	10.7%

## 5. Top Performing Equity Funds (Top Quartile Performers)

One-year period

Fund	Ann Return
Anchor BCI Equity A	27.98
Autus BCI Equity	22.22
36ONE MET Equity	18.37
Emperor IP Momentum Equity A	15.35
Truffle MET General Equity A	14.49
Investec Equity R	14.28
Contego B6 MET Value Equity A	13.56
Mazi Capital Prime Equity A1	13.56
Prime General Equity B	12.62
Sasfin MET Equity A	12.22
27four Shari'ah Active Eq. Prescient A1	12.11
SPI Equity A1	11.63
IFM Technical	11.50
NGI Private Wealth Equity A	11.17
MET General Equity	10.84
Vunani IP Accelerated Growth A	10.83
Stewart MET Macro Equity FoF A	10.07
Laurium Equity Prescient A1	9.76
M1 Capital Prescient Equity A2	9.75
Mergence Equity Prescient A1	9.52
PortfolioMetrix BCI Equity FoF B1	9.39
NFB Ci Equity B1	8.88
STANLIB Equity R	8.84
Imara MET Equity A	8.62
Tower Capital Equity Prescient A1	8.60
First Avenue SCI Equity B1	8.15
Nedgroup Inv Rainmaker A	7.75
Trillian IP FCF Equity	7.49
Old Mutual Albaraka Equity A	7.45
Rezco Equity A	7.24
Old Mutual Managed Alpha Equity A	7.10
Dolberg Spencer BCI Equity A	7.07



Two-year period (annualised)

Fund	Ann Return
Anchor BCI Equity A	26.34
Contego B6 MET Value Equity A	16.73
IFM Technical	15.51
Investec Equity R	15.37
36ONE MET Equity	14.89
Truffle MET General Equity A	14.86
NGI Private Wealth Equity A	14.75
Prime General Equity B	14.26
Mazi Capital Prime Equity A1	13.45
27four Shari'ah Active Eq. Prescient A1	13.25
Mergence Equity Prescient A1	12.68
Fairtree Equity Prescient A1	12.28
Sasfin MET Equity A	12.27
Imara MET Equity A	11.87
Trillian IP FCF Equity	11.75
MET General Equity	11.72
Old Mutual Investors R	11.21
Grindrod Equity Income Growth	11.21
Marriott Dividend Growth R	11.04
IP Equity	11.02
Melville Douglas STANLIB High Alpha A	10.92
Harvard House BCI Equity	10.92
Old Mutual Managed Alpha Equity A	10.58
Sanlam Select Optimised Equity B4	10.43
First Avenue SCI Equity B1	10.36
Nedgroup Inv Rainmaker A	10.24
Sanlam Select Thematic Equity B10	10.16
Sygnia Equity A	10.11

Three-year period (annualised)

Fund	Ann Return
36ONE MET Equity	20.83
NGI Private Wealth Equity A	19.91
Truffle MET General Equity A	17.84
IFM Technical	17.78
Investec Equity R	17.25
Mazi Capital Prime Equity A1	16.99
27four Shari'ah Active Eq. Prescient A1	16.73
Old Mutual Investors R	16.09
Mergence Equity Prescient A1	16.09
Fairtree Equity Prescient A1	16.02
Harvard House BCI Equity	15.75
Contego B6 MET Value Equity A	15.69
SIM Top Choice Equity A1	15.67
Sasfin MET Equity A	15.30
Sanlam Select Optimised Equity B4	15.14
Stewart MET Macro Equity FoF A	15.11
Melville Douglas STANLIB High Alpha A	15.08
Imara MET Equity A	14.85
Prime General Equity B	14.53
Old Mutual Managed Alpha Equity A	14.48
STANLIB Equity R	14.45
STANLIB MM All Stars Eq FoF B1	14.43
SPI Equity A1	14.42
Momentum Best Blend Specialist Eq A	14.40
Coronation Equity R	14.36

Five-year period (annualised)

Fund	Ann Return
Mazi Capital Prime Equity A1	19.21
NGI Private Wealth Equity A	18.77
Sasfin MET Equity A	17.49
Truffle MET General Equity A	17.08
Harvard House BCI Equity	16.95
STANLIB Equity R	16.40
Imara MET Equity A	16.25
Investec Equity R	16.16
Momentum Best Blend Specialist Eq A	15.87
Foord Equity R	15.74
Sanlam Select Optimised Equity B4	15.48
Mergence Equity Prescient A1	15.29
Stewart MET Macro Equity FoF A	15.21
Old Mutual Managed Alpha Equity A	15.09
Marriott Dividend Growth R	14.97
IFM Technical	14.92
SIM Top Choice Equity A1	14.66
Old Mutual Investors R	14.63
STANLIB MM All Stars Eq FoF B1	14.53
Prudential Equity A	14.24
Coronation Equity R	14.12

Seven-year period (annualised)

Fund	Ann Return
NGI Private Wealth Equity A	19.75
Harvard House BCI Equity	19.19
Foord Equity R	19.09
Sasfin MET Equity A	18.77
Momentum Best Blend Specialist Eq A	18.51
Imara MET Equity A	18.23
Coronation Equity R	18.18
PSG Equity A	18.14
Sanlam Select Optimised Equity B4	17.92
Marriott Dividend Growth R	17.71
Old Mutual Managed Alpha Equity A	17.54
SIM General Equity R	17.35
STANLIB Equity R	17.23
Investec Equity R	17.15
Contego B6 MET Value Equity A	17.05
Stewart MET Macro Equity FoF A	16.93
STANLIB MM All Stars Eq FoF B1	16.89
Old Mutual Investors R	16.73
SIM Top Choice Equity A1	16.68

Ten-year period (annualised)

Fund	Ann Return
NGI Private Wealth Equity A	16.37
Foord Equity R	15.73
Prudential Dividend Maximiser A	15.70
Prudential Equity A	15.63
Coronation Equity R	15.27
SIM General Equity R	14.98
Sasfin MET Equity A	14.79
Marriott Dividend Growth R	14.57
Coronation Top 20 A	14.35
Allan Gray Equity A	14.30
Old Mutual Managed Alpha Equity A	14.19
Sanlam Select Optimised Equity B4	13.96
ABSA Select Equity	13.96

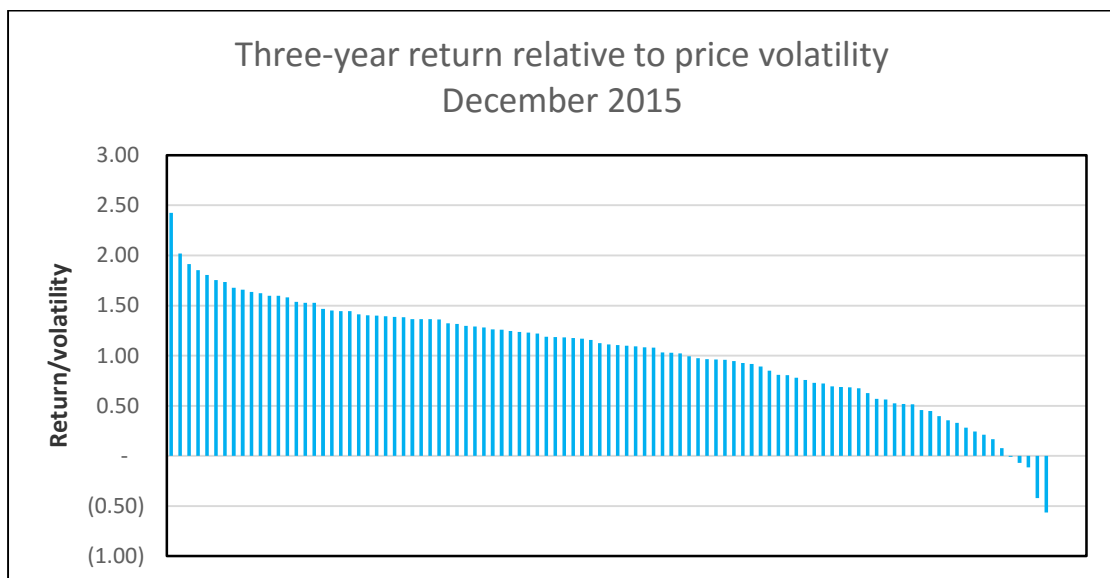
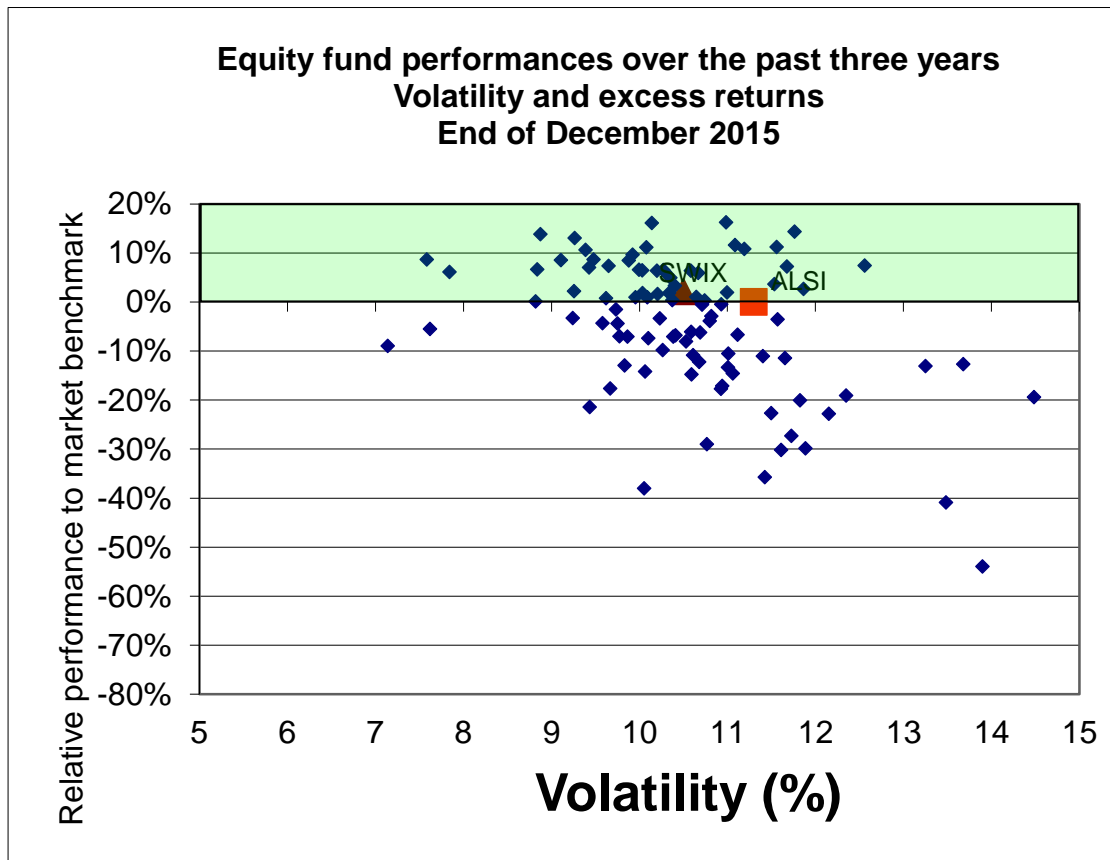
## 6. Persistence of Fund Performance (annualised returns)

Fund	10-year	7-year	5-year	3-year	2-year	1-year
NGI Private Wealth Equity A	16.4	19.8	18.8	19.9	14.7	11.2
Foord Equity R	15.7	19.1	15.7	14.0	7.7	1.4
Prudential Dividend Maximiser A	15.7	16.4	14.1	14.3	8.6	6.5
Prudential Equity A	15.6	16.4	14.2	14.0	7.4	4.2
Coronation Equity R	15.3	18.2	14.1	14.4	6.9	4.7
SIM General Equity R	15.0	17.3	14.0	14.3	8.2	5.0
Sasfin MET Equity A	14.8	18.8	17.5	15.3	12.3	12.2
Marriott Dividend Growth R	14.6	17.7	15.0	13.1	11.0	2.5
Coronation Top 20 A	14.3	15.2	10.5	7.2	-1.9	-9.8
Allan Gray Equity A	14.3	15.2	13.6	13.6	9.9	6.3
Old Mutual Managed Alpha Equity A	14.2	17.5	15.1	14.5	10.6	7.1
Sanlam Select Optimised Equity B4	14.0	17.9	15.5	15.1	10.4	7.0
ABSA Select Equity	14.0	14.1	9.6	7.3	3.8	-3.3
Nedgroup Inv Value R	13.9	14.8	9.8	7.6	4.5	0.4
Old Mutual Investors R	13.8	16.7	14.6	16.1	11.2	6.6
Investec Equity R	13.7	17.2	16.2	17.3	15.4	14.3
Investec Active Quants A	13.6	16.1	12.4	10.7	4.5	-3.5
IFM Technical	13.6	15.3	14.9	17.8	15.5	11.5
Nedgroup Inv Rainmaker A	13.6	15.6	12.6	13.1	10.2	7.8
Kagiso Equity Alpha	13.3	14.3	8.9	8.0	0.5	-6.6
Efficient BCI Equity	13.0	13.4	11.7	10.6	4.1	2.9
MET General Equity	12.7	16.3	13.8	14.1	11.7	10.8
PSG Equity A	12.6	18.1	13.1	13.6	3.4	-6.4
SIM Value R	12.5	14.1	9.1	7.8	1.2	-6.4
STANLIB Equity R	12.4	17.2	16.4	14.4	9.1	8.8
Old Mutual Growth R	12.3	14.2	10.1	12.0	7.2	3.4
FG IP Mercury Equity FoF A1	12.0	14.9	12.5	10.1	7.9	4.8
Old Mutual Top Companies R	11.9	14.5	10.6	12.3	7.3	2.2
Nedgroup Inv Growth R	11.9	14.4	10.0	10.9	5.3	-1.6
Community Growth Equity	11.7	13.4	10.2	12.4	8.7	4.4
Oasis General Equity D	11.4	11.6	8.4	5.3	0.3	-8.5
STANLIB MM Equity B1	11.3	13.9	10.6	9.8	4.5	-0.9
FNB Momentum Growth	11.3	14.8	11.0	10.3	6.8	2.7
Momentum Equity A	11.2	14.6	11.5	10.2	6.7	2.2
Maestro Equity Prescient A	11.2	14.2	11.3	12.5	7.3	4.1
Momentum Best Blend Multifocus FoF A	11.0	13.7	10.6	9.9	4.7	-1.1
STANLIB Value A	10.8	11.7	6.8	4.6	-1.3	1.2
Old Mutual Multi-Managers Equity FoF A	10.8	12.9	9.3	9.7	6.1	2.2
Oasis Crescent Equity D	10.7	10.8	8.9	7.6	1.9	-3.5
PSG MM Equity FoF A	10.7	14.1	11.9	11.8	5.1	-0.4
Sanlam Multi Mgd Equity FoF A	10.7	12.8	9.5	9.7	4.6	0.2
Capstone BCI Equity	10.6	11.5	7.3	4.0	-2.4	-13.4
Old Mutual Albaraka Equity A	10.6	14.3	13.1	11.9	8.3	7.4
STANLIB SA Equity R	10.2	14.8	12.2	7.9	3.5	-1.5
Inv Solutions Equity FoF A	9.8	11.3	7.7	5.7	0.3	-7.0
Old Mutual High Yield Opp A	9.5	12.6	6.9	6.9	0.7	-8.6

<b>Fund</b>	<b>10-year</b>	<b>7-year</b>	<b>5-year</b>	<b>3-year</b>	<b>2-year</b>	<b>1-year</b>
Investec Value R	8.6	8.0	1.4	1.6	-2.5	-12.8
STANLIB Capital Growth R	8.6	11.1	7.1	2.0	-3.9	-11.0
Sanlam Select Thematic Equity B10	8.1	8.9	4.4	5.1	10.2	-3.7
Cannon MET Equity R	7.1	7.7	1.5	-0.7	-7.4	-10.7
Element Earth Equity A	5.6	4.2	-1.4	-5.9	-9.1	-17.1
Momentum Value A	5.4	5.3	-3.3	-9.8	-13.5	-11.0

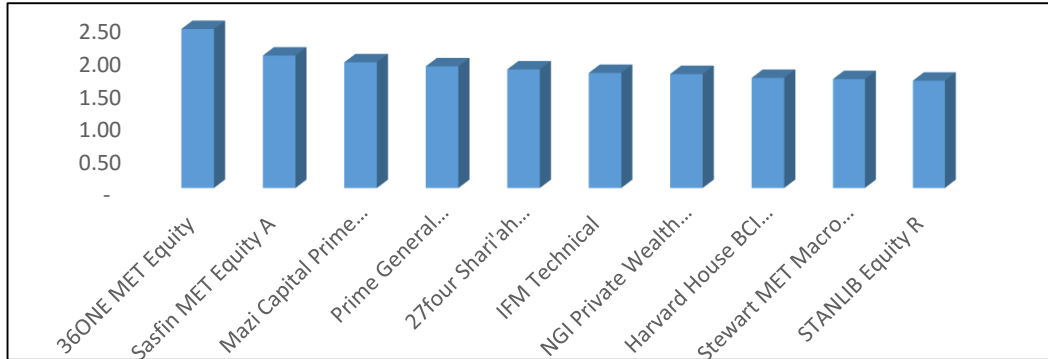
ALSI INDEX BENCHMARK	14.1	16.4	13.0	12.3	8.0	5.1
SWIX INDEX BENCHMARK	14.7	17.3	14.2	13.0	9.4	3.6
Top quartile	13.9	16.6	14.1	14.3	10.1	7.1
Median	12.2	14.4	11.5	11.2	6.8	2.8
Bottom quartile	10.7	11.6	8.6	7.7	3.3	-2.1

7. Volatility and Fund Performance (annualised returns)

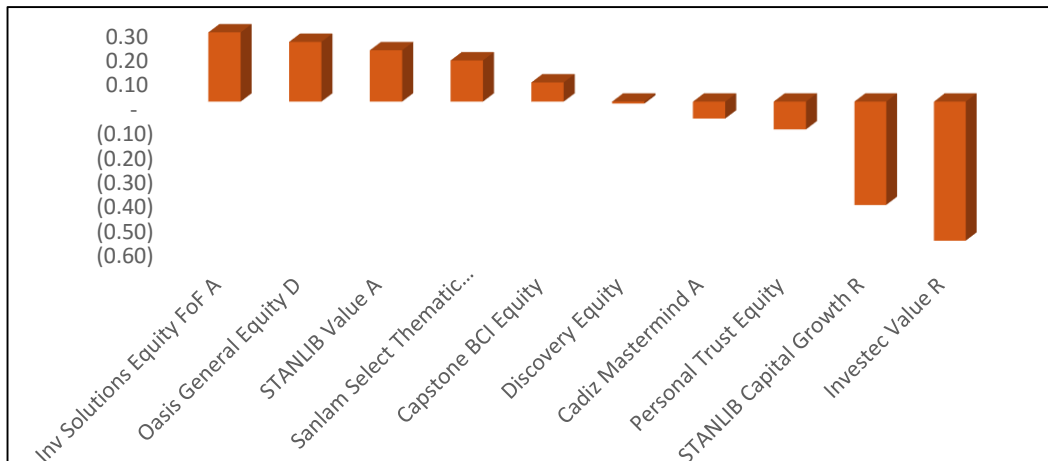




Top-performing equity funds  
 Three-year return relative to price volatility  
 December 2015

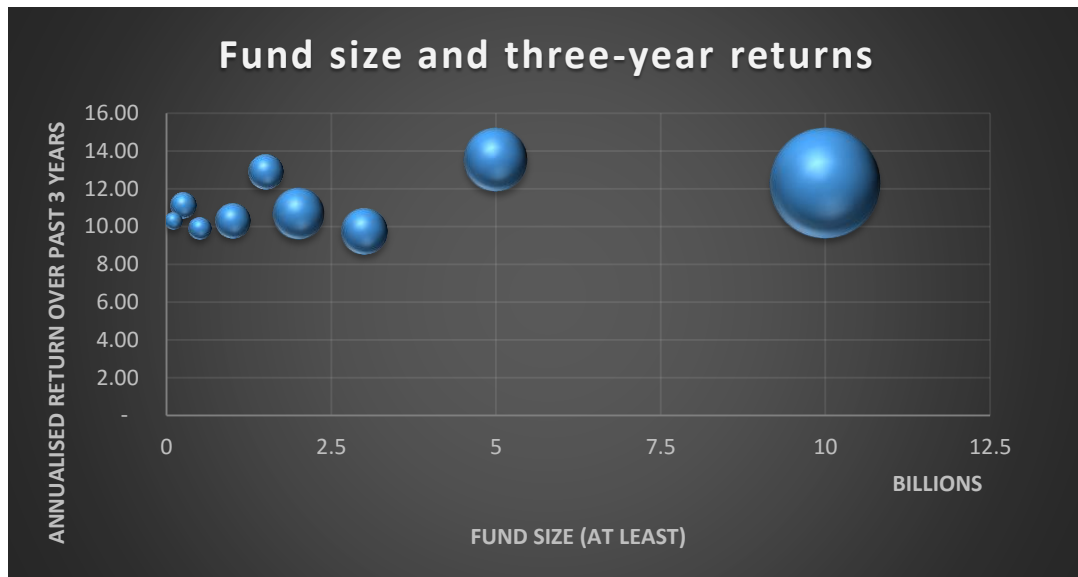


Worst-performing equity funds  
 Three-year return relative to price volatility  
 December 2015



## 8. Fund size and Three-year Performance (annualised returns)

Fund Size	Number of funds	Average return	Percentage of total assets
x > 10,000m	6	12.30	49%
10,000m < x > 5,000m	5	13.57	16%
5,000m < x > 3,000m	5	9.77	9%
3,000m < x > 2,000m	9	10.67	10%
2,000m < x > 1,500m	6	12.89	5%
1,500m < x > 1,000m	9	10.33	5%
1,000m < x > 500m	7	9.92	2%
500m < x > 250m	16	11.13	3%
250m < x > 100m	16	10.33	1%
x < 100m	19	8.47	0%





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