

**June 2016**

## **The Quest for Alpha**



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

**Quarter ended June 2016**

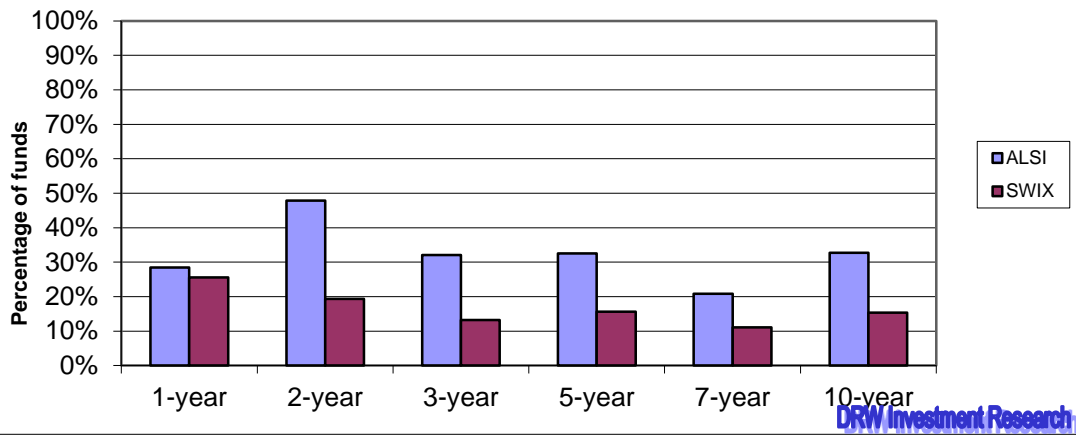
**DRW Investment Research**

## 1. Outperformance

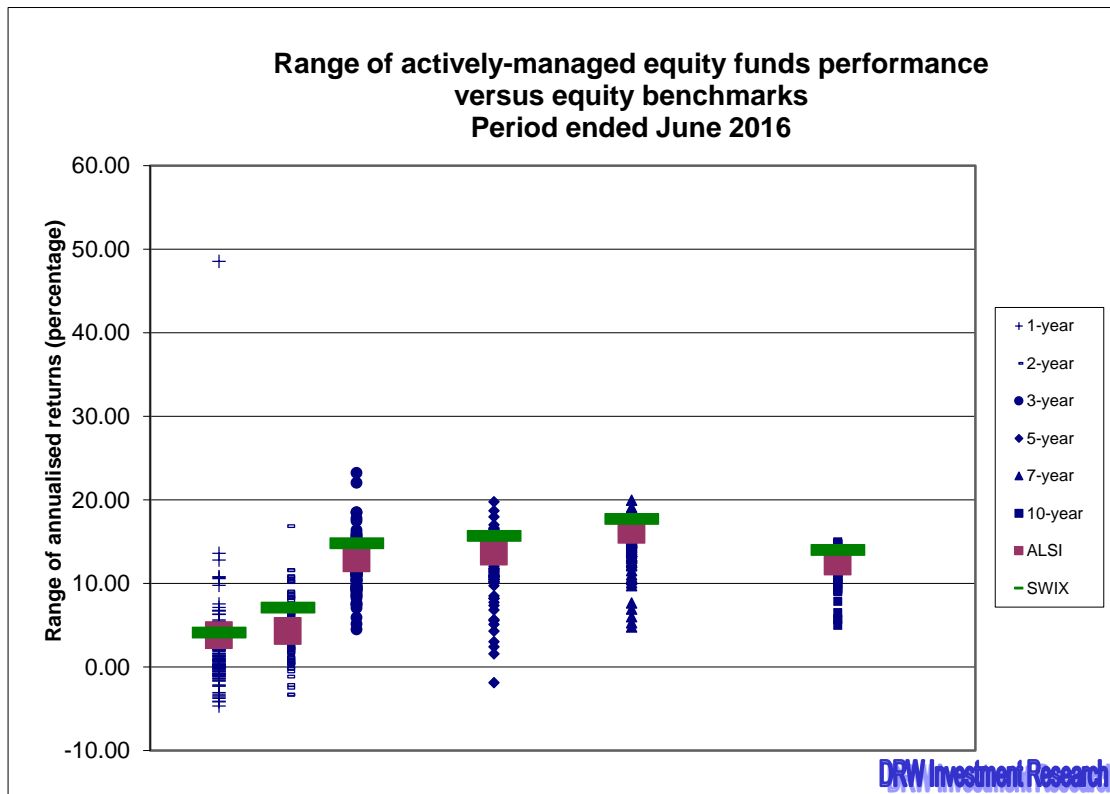
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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 **30 June 2016**.
- 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	137	119	106	83	72	52
Best performing fund	48.6%	16.9%	23.2%	19.8%	20.0%	15.0%
Worst performing fund	-7.7%	-13.0%	-1.4%	-1.9%	4.8%	5.0%
Top quartile	4.1%	6.4%	13.5%	14.6%	16.2%	13.1%
Median	1.3%	4.0%	11.7%	12.6%	14.7%	11.7%
Bottom quartile	-0.8%	1.4%	9.6%	10.5%	13.0%	10.4%
Average fund performance	1.7%	3.6%	11.5%	12.0%	14.2%	11.5%
Benchmark: ALSI	3.8%	4.3%	13.0%	13.8%	16.4%	12.6%
<b>% Funds outperforming ALSI</b>	<b>28%</b>	<b>48%</b>	<b>32%</b>	<b>33%</b>	<b>21%</b>	<b>33%</b>
Benchmark: SWIX	4.1%	7.1%	14.8%	15.7%	17.7%	14.0%
<b>% Funds outperforming SWIX</b>	<b>26%</b>	<b>19%</b>	<b>13%</b>	<b>16%</b>	<b>11%</b>	<b>15%</b>

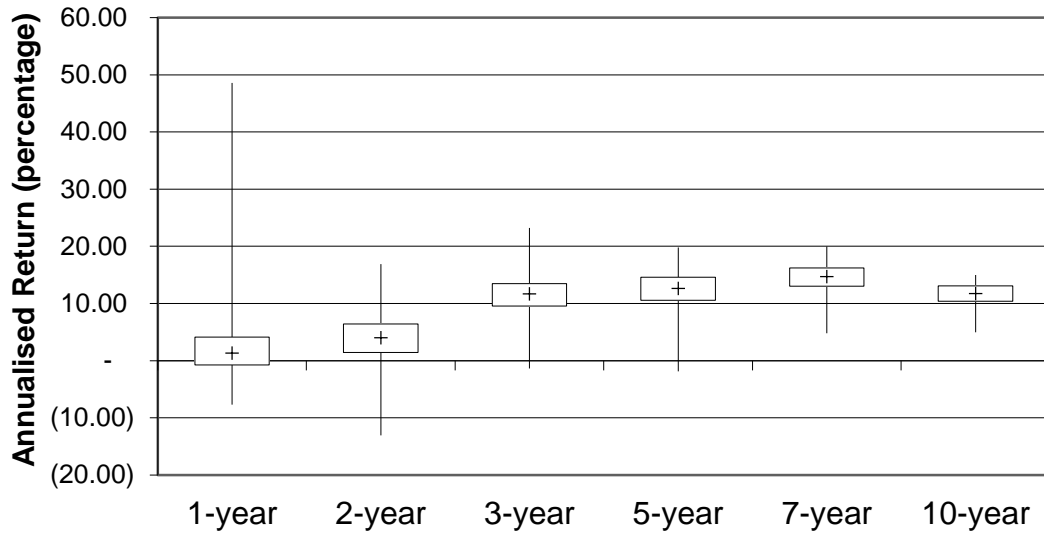
**Percentage of actively-managed equity funds outperforming equity benchmarks**  
**Period ended June 2016**



## 2. Fund Performance Range



**Equity funds performance range**  
**Maximum, Top quartile, Median, Bottom quartile, Minimum**  
**June 2016**



Top of vertical line above box:

Top-performing fund

Upper horizontal boundary of box:

Top-quartile range

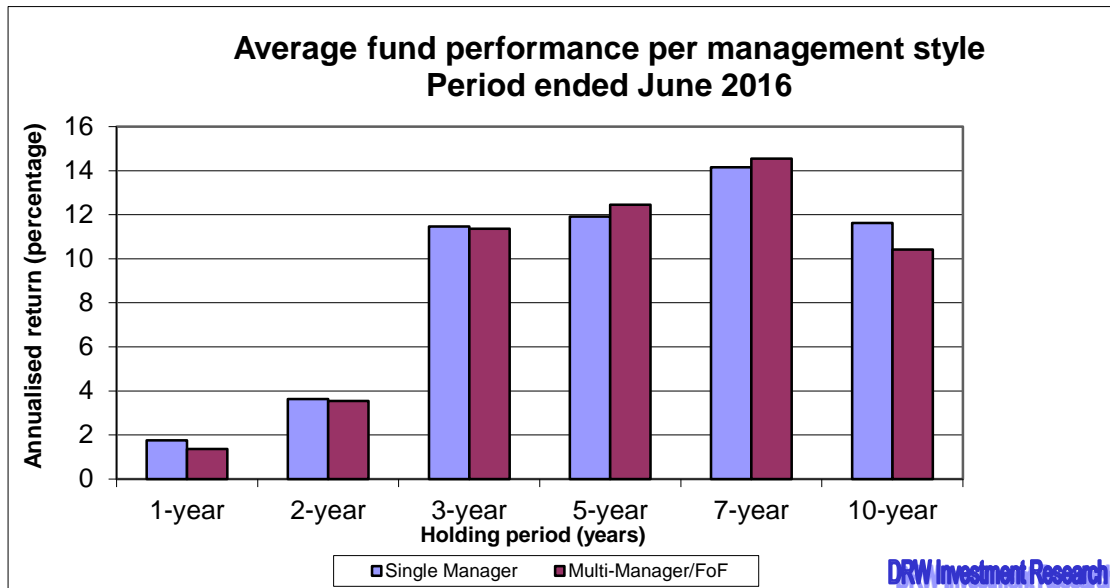
Bottom horizontal boundary of box:

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
Ashburton Top 40 Portfolio	2.2%	0.7%	11.8%	15.4%	16.4%	
Satrix 40 Portfolio	1.4%	2.2%	11.9%	12.6%	15.4%	11.5%
Satrix SWIX Top 40 Portfolio	1.7%	5.2%	14.2%	14.7%	16.6%	12.7%
Stanlib Top 40	1.8%	2.9%	12.8%	13.1%		
Stanlib Swix Top 40	2.7%	6.2%	15.3%	15.2%		

Source: ETFSA,  
Performance survey,  
June 2016

Average actively-managed equity funds	1.7%	3.6%	11.5%	12.0%	14.2%	11.5%
Top quartile actively-managed equity funds	4.1%	6.4%	13.5%	14.6%	16.2%	13.1%
Median actively-managed equity fund	1.3%	4.0%	11.7%	12.6%	14.7%	11.7%
Bottom quartile actively-managed equity funds	-0.8%	1.4%	9.6%	10.5%	13.0%	10.4%

<b>Index Unit Trust Investments sample</b>	<b>One-year</b>	<b>Three-year</b>	<b>Five-year</b>	<b>Ten-year</b>
Kagiso Top 40 Tracker Fund	1.3%	11.6%	12.3%	11.1%
Momentum Top 40 Index Fund	2.2%	12.4%	12.6%	11.0%
Gryphon All Share Tracker Fund	1.5%	11.9%	13.4%	11.9%
Satrix ALSI Index Fund	3.4%	12.2%	13.1%	
Stanlib Index Fund	2.1%	12.3%	13.1%	12.0%

*Source: ETFSA, Performance survey, June 2016*

Average actively-managed equity funds	1.7%	11.5%	12.0%	11.5%
Top quartile actively-managed equity funds	4.1%	13.5%	14.6%	13.1%
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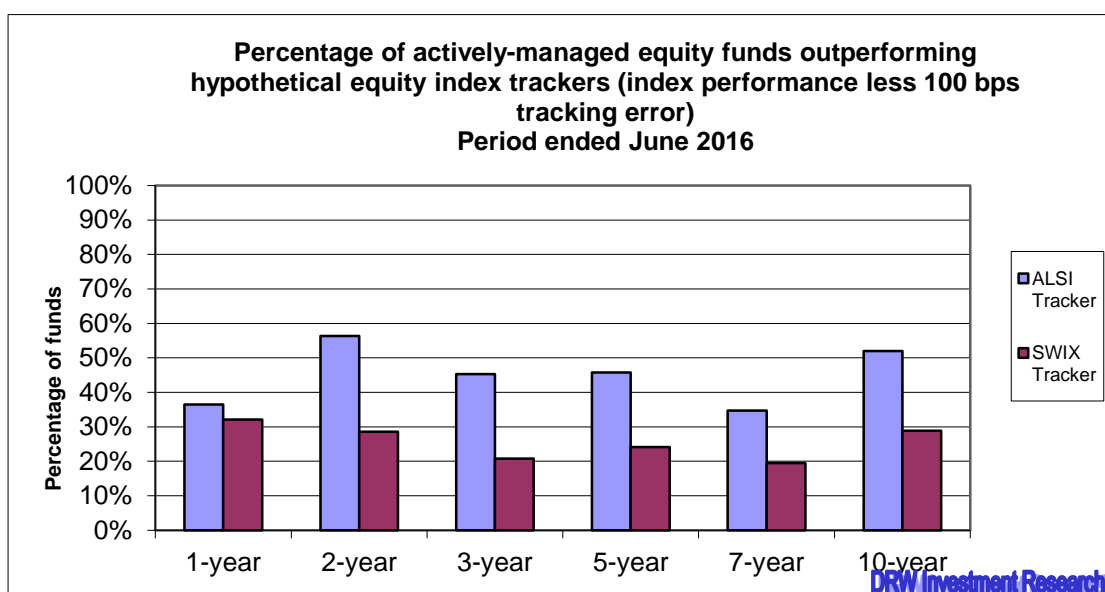


## Actively-managed equity funds vs equity index trackers

Assume tracking error of index fund = 100 basis points

(i.e. index benchmark performance less 1% p.a. due to management fees, transactional costs)

Equity Funds	1-year	2-year	3-year	5-year	7-year	10-year
Number of funds	137	119	106	83	72	52
Best performing fund	48.6%	16.9%	23.2%	19.8%	20.0%	15.0%
Worst performing fund	-7.7%	-13.0%	-1.4%	-1.9%	4.8%	5.0%
Top quartile	4.1%	6.4%	13.5%	14.6%	16.2%	13.1%
Median	1.3%	4.0%	11.7%	12.6%	14.7%	11.7%
Bottom quartile	-0.8%	1.4%	9.6%	10.5%	13.0%	10.4%
Average fund performance	1.7%	3.6%	11.5%	12.0%	14.2%	11.5%
Hypothetical ALSI Index Fund TE =100 bps	2.8%	3.3%	12.0%	12.8%	15.4%	11.6%
% Funds outperforming hypothetical ALSI index fund	36%	56%	45%	46%	35%	52%
Hypothetical SWIX Index Fund TE =100 bps	3.1%	6.1%	13.8%	14.7%	16.7%	13.0%
% Funds outperforming hypothetical SWIX index fund	32%	29%	21%	24%	19%	29%



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

One-year period

Fund	Ann Return
Investec Value R	48.57
STANLIB Value B1	13.61
Inv Solutions Equity FoF A	12.80
Allan Gray Equity A	10.80
Old Mutual Albaraka Equity A	10.75
Allan Gray SA Equity A	10.60
Sygnia Value A	9.77
MET General Equity A	7.56
IP Equity	7.13
Counterpoint MET High Yield Equity R	6.78
Imara MET Equity A	6.75
Oasis Crescent Equity D	6.72
Element Earth Equity A	6.35
Investec Equity R	6.30
Autus BCI Equity	5.64
Marriott Dividend Growth R	5.48
Fairtree MET Equity A1	5.41
Momentum Value A	5.26
36ONE MET Equity A	5.15
Anchor BCI Equity A	4.97
27four Shari'ah Active Eq. Prescient A1	4.92
Discovery Equity	4.82
Nedgroup Inv Private Wealth Equity A	4.73
Ashburton SA Equity B1	4.71
Prime Equity FoF A	4.63
Kagiso Islamic Equity A	4.56
Nedgroup Inv Rainmaker A	4.46
Oasis General Equity D	4.35
First Avenue SCI Equity B1	4.30
SIM Top Choice Equity A1	4.27
Old Mutual Managed Alpha Equity A	4.26
Truffle MET General Equity A	4.23
M1 Capital Prescient Equity A2	4.12
Aeon Enhanced Equity Prescient A	4.11
STANLIB MM All Stars Eq FoF B1	4.10

Two-year period (annualised)

Fund	Ann Return
Anchor BCI Equity A	16.89
Investec Equity R	11.62
Investec Value R	11.60
Fairtree MET Equity A1	10.88
Marriott Dividend Growth R	10.79
Nedgroup Inv Private Wealth Equity A	10.58
IP Equity	10.32
36ONE MET Equity A	10.29
Mazi Capital Prime Equity A1	10.16
Grindrod Equity Income Growth A	9.05
Prime General Equity B	8.94
BlueAlpha BCI Select Equity C	8.70
Truffle MET General Equity A	8.62
Imara MET Equity A	8.43
MET General Equity A	8.33
Mergence Equity Prescient A1	8.28
Contego B6 MET Value Equity A	8.24
Harvard House BCI Equity A	7.95
Old Mutual Managed Alpha Equity A	7.60
Melville Douglas STANLIB High Alpha A	7.47
Old Mutual Albaraka Equity A	7.35
Laurium Equity Prescient A1	7.23
IFM Technical	7.13
Sygnia Equity A	6.98
Trillian IP FCF Equity A	6.86
Aeon Enhanced Equity Prescient A	6.80
Old Mutual Investors R	6.75
Prime Equity FoF A	6.69
Counterpoint MET High Yield Equity R	6.63
First Avenue SCI Equity B1	6.46

Three-year period (annualised)

Fund	Ann Return
Anchor BCI Equity A	23.23
Investec Value R	22.05
Fairtree MET Equity A1	18.54
Investec Equity R	18.47
Nedgroup Inv Private Wealth Equity A	17.79
Truffle MET General Equity A	17.50
SIM Top Choice Equity A1	16.35
ALUWANI Top 25 A	16.02
Mergence Equity Prescient A1	15.83
Mazi Capital Prime Equity A1	15.67
Old Mutual Investors R	15.61
Harvard House BCI Equity A	15.42
36ONE MET Equity A	15.28
Allan Gray Equity A	14.87
Old Mutual Managed Alpha Equity A	14.65
Imara MET Equity A	14.62
IP Equity	14.59
Nedgroup Inv Rainmaker A	14.58
27four Shari'ah Active Eq. Prescient A1	14.29
Marriott Dividend Growth R	14.22
Aeon Enhanced Equity Prescient A	14.13
Sygnia Equity A	13.92
SPW Equity A1	13.76
Melville Douglas STANLIB High Alpha A	13.73
Prime General Equity B	13.72
MET General Equity A	13.64
Community Growth Equity	13.53

Five-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	19.78
Mazi Capital Prime Equity A1	18.70
Harvard House BCI Equity A	17.98
Imara MET Equity A	17.03
Foord Equity R	16.65
Truffle MET General Equity A	16.58
Investec Equity R	16.40
Marriott Dividend Growth R	16.36
Melville Douglas STANLIB High Alpha A	16.23
Old Mutual Managed Alpha Equity A	16.12
Mergence Equity Prescient A1	16.06
Sasfin MET Equity A	16.06
Momentum Best Blend Specialist Eq A	15.86
SIM Top Choice Equity A1	15.35
Stewart MET Macro Equity FoF A	15.20
Old Mutual Investors R	15.17
MET General Equity A	15.12
PSG Equity A	15.09
Aeon Enhanced Equity Prescient A	14.98
Allan Gray Equity A	14.86
Coronation Equity R	14.67

Seven-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	19.99
Foord Equity R	19.12
Imara MET Equity A	18.70
Harvard House BCI Equity A	18.70
Momentum Best Blend Specialist Eq A	18.41
Marriott Dividend Growth R	18.39
Sasfin MET Equity A	18.19
Old Mutual Managed Alpha Equity A	17.86
PSG Equity A	17.67
Coronation Equity R	17.54
Investec Equity R	17.11
Old Mutual Investors R	17.00
SIM Top Choice Equity A1	16.78
SIM General Equity R	16.74
STANLIB MM All Stars Eq FoF B1	16.46
Stewart MET Macro Equity FoF A	16.35
Allan Gray Equity A	16.30
MET General Equity A	16.22

Ten-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	14.99
Marriott Dividend Growth R	14.87
Foord Equity R	14.77
Coronation Top 20 A	14.75
Coronation Equity R	14.69
Aylett Equity Prescient A1	14.14
SIM General Equity R	14.06
Prudential Equity A	14.04
Prudential Dividend Maximiser A	13.75
Allan Gray Equity A	13.62
Sasfin MET Equity A	13.61
Old Mutual Managed Alpha Equity A	13.40
Old Mutual Investors R	13.13

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

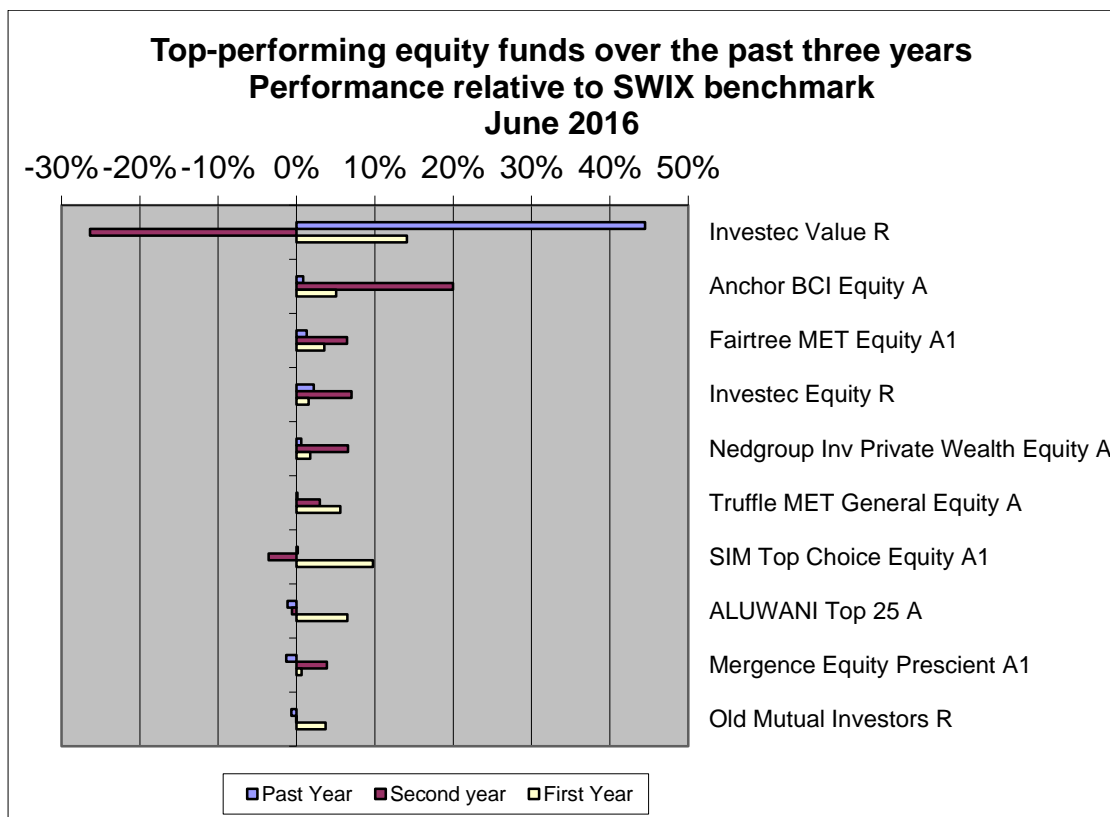
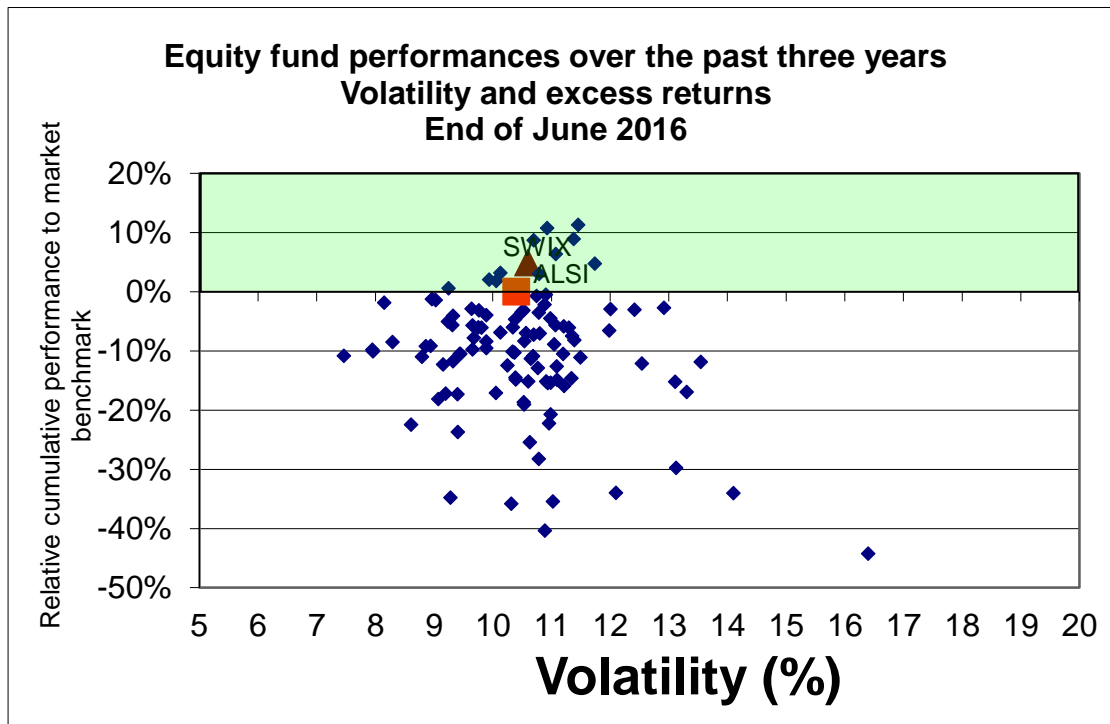
Fund	10-year	7-year	5-year	3-year	2-year	1-year
Nedgroup Inv Private Wealth Equity A	15.0	20.0	19.8	17.8	10.6	4.7
Marriott Dividend Growth R	14.9	18.4	16.4	14.2	10.8	5.5
Foord Equity R	14.8	19.1	16.7	13.1	4.6	0.7
Coronation Top 20 A	14.7	16.0	12.9	10.4	0.5	-0.9
Coronation Equity R	14.7	17.5	14.7	12.1	3.0	0.5
Aylett Equity Prescient A1	14.1	16.2	13.4	11.6	4.3	4.0
SIM General Equity R	14.1	16.7	14.3	13.2	3.8	0.8
Prudential Equity A	14.0	15.9	13.7	11.2	3.2	-0.5
Prudential Dividend Maximiser A	13.7	16.0	13.6	11.8	4.1	2.1
Allan Gray Equity A	13.6	16.3	14.9	14.9	6.3	10.8
Sasfin MET Equity A	13.6	18.2	16.1	11.2	5.7	4.0
Old Mutual Managed Alpha Equity A	13.4	17.9	16.1	14.6	7.6	4.3
Old Mutual Investors R	13.1	17.0	15.2	15.6	6.7	3.4
Nedgroup Inv Value R	13.1	15.5	11.4	11.0	3.7	0.3
ABSA Select Equity A	13.0	13.9	10.5	8.6	0.8	-1.4
Investec Equity R	12.8	17.1	16.4	18.5	11.6	6.3
Kagiso Equity Alpha A	12.8	14.6	10.8	10.1	0.5	2.2
SIM Value	12.4	14.1	10.5	9.0	-1.1	-6.0
Nedgroup Inv Rainmaker A	12.4	15.3	12.8	14.6	6.4	4.5
Investec Value R	12.4	14.3	11.4	22.1	11.6	48.6
Investec Active Quants A	12.4	16.2	13.8	11.8	2.5	-0.4
STANLIB Value B1	12.1	13.8	10.9	9.7	3.0	13.6
MET General Equity A	12.1	16.2	15.1	13.6	8.3	7.6
PSG Equity A	11.9	17.7	15.1	13.3	2.8	-3.5
MI-PLAN IP Beta Equity B2	11.8	15.1	12.8	11.5	3.1	1.0
Efficient BCI Equity A	11.7	13.8	12.3	9.3	3.3	0.0
Old Mutual Growth R	11.7	13.1	10.2	11.7	2.0	1.9
Oasis General Equity D	11.5	13.3	10.8	9.4	0.3	4.4
Old Mutual Top Companies R	11.5	13.9	11.2	12.5	3.1	1.3
FG IP Mercury Equity FoF A1	11.4	15.0	12.7	11.3	4.1	0.7
IFM Technical	11.3	15.1	14.4	12.7	7.1	2.0
Nedgroup Inv Growth R	11.3	14.3	10.9	10.5	2.6	-4.7
Community Growth Equity	11.1	13.2	11.8	13.5	5.1	2.2
FNB Momentum Growth	10.9	15.0	12.0	12.9	4.7	3.4
Momentum Equity A	10.8	14.8	12.6	12.8	4.6	3.1
Maestro Equity Prescient A	10.6	13.0	12.3	11.0	4.0	-3.2
Inv Solutions Equity FoF A	10.6	13.8	11.8	13.4	4.4	12.8
STANLIB MM Equity B1	10.5	14.1	11.6	10.9	2.0	-0.8
Momentum Best Blend Multifocus FoF A	10.5	13.6	11.6	11.0	1.6	-1.4
Sanlam Multi Mgd Equity FoF A	10.1	13.1	10.6	11.0	2.2	1.3
PSG MM Equity FoF A	10.1	14.5	12.7	11.7	2.3	-1.0
Oasis Crescent Equity D	9.9	12.1	10.2	8.7	1.2	6.7
Old Mutual Multi-Managers Equity FoF A	9.8	12.6	10.1	11.3	3.7	0.1
Old Mutual Albaraka Equity A	9.4	14.9	14.0	13.2	7.4	10.8
STANLIB SA Equity R	9.3	15.4	13.0	9.2	2.2	2.0



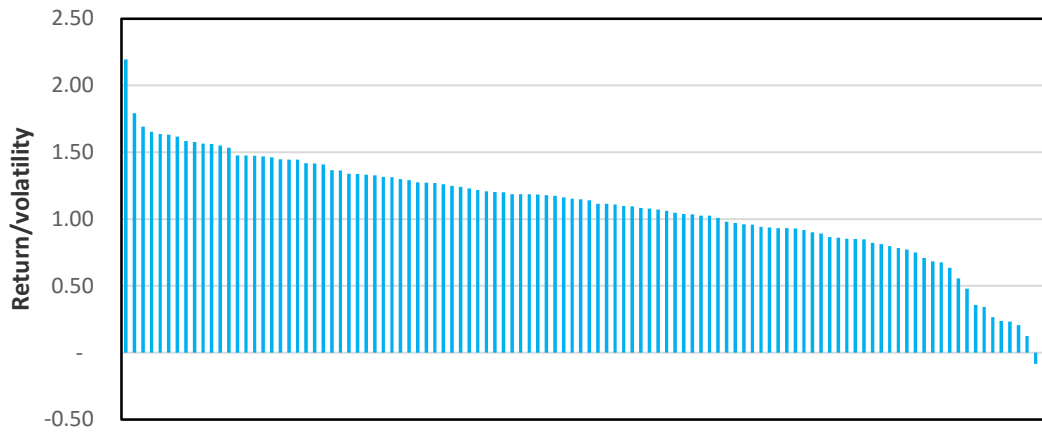
<b>Fund</b>	<b>10-year</b>	<b>7-year</b>	<b>5-year</b>	<b>3-year</b>	<b>2-year</b>	<b>1-year</b>
Old Mutual High Yield Opp A	9.2	12.2	7.7	7.4	-2.1	-7.4
Cadiz Mastermind A	9.0	10.5	5.7	2.7	-5.4	-4.2
STANLIB Capital Growth R	7.9	10.7	8.2	4.5	-5.0	-7.1
Cannon MET Equity R	6.5	7.7	3.0	1.4	-6.0	-5.0
Element Earth Equity A	5.8	6.0	2.4	2.9	-5.3	6.3
Momentum Value A	5.6	5.3	-1.9	-1.4	-11.3	5.3
Element Islamic Equity A	5.0	4.8	1.6	2.9	-6.6	1.1

	<b>10-year</b>	<b>7-year</b>	<b>5-year</b>	<b>3-year</b>	<b>2-year</b>	<b>1-year</b>
ALSI INDEX BENCHMARK	12.6	16.4	13.8	13.0	4.3	3.8
SWIX INDEX BENCHMARK	14.0	17.7	15.7	14.8	7.1	4.1
Top quartile	13.1	16.2	14.6	13.5	6.4	4.1
Median	11.7	14.7	12.6	11.7	4.0	1.3
Bottom quartile	10.4	13.0	10.5	9.6	1.4	-0.8

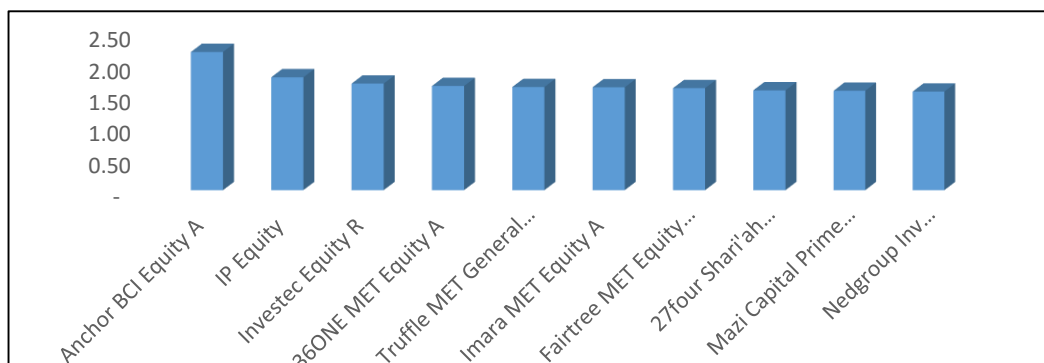
## 7. Relative Fund Performance



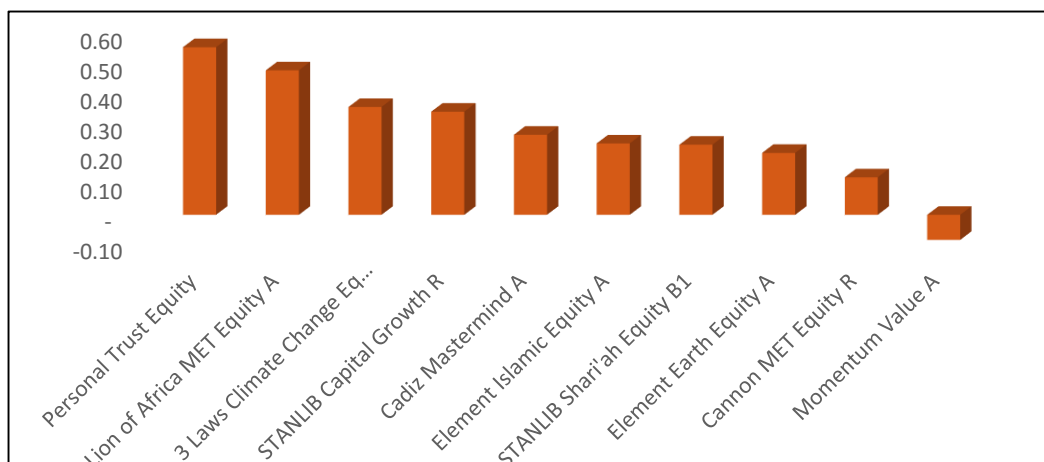
Three-year return relative to price volatility  
June 2016



Top-performing equity funds  
 Three-year return relative to price volatility  
 June 2016



Worst-performing equity funds  
 Three-year return relative to price volatility  
 June 2016





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