

**September 2016**

**The Quest for Alpha**



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

**Quarter ended September 2016**

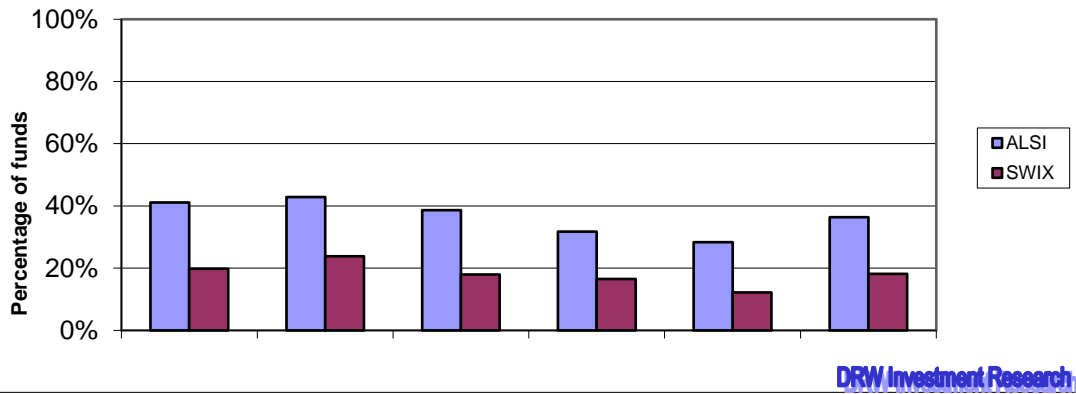
**DRW Investment Research**

## 1. Outperformance

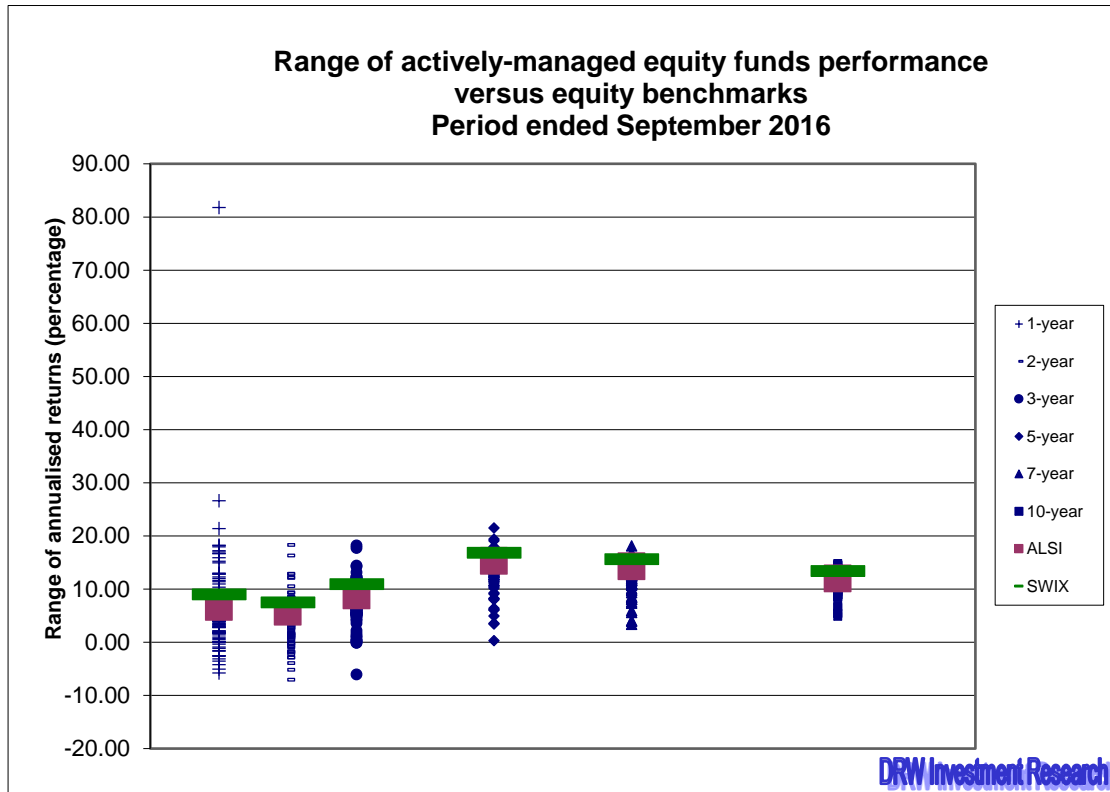
- 1) Only actively-managed equity funds are evaluated; thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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* unit trust fund performance database for the quarter ended **30 September 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.

Number of funds	141	126	106	85	74	55
Best performing fund	81.8%	18.3%	18.2%	21.5%	18.1%	14.8%
Top quartile	8.1%	7.0%	9.9%	15.7%	14.5%	12.7%
Average fund performance	6.6%	4.8%	7.8%	13.3%	12.2%	11.0%
Median fund performance	5.7%	5.1%	8.0%	13.8%	12.8%	11.2%
Bottom quartile	3.1%	2.8%	6.0%	11.8%	11.0%	9.7%
Worst performing fund	-5.8%	-7.0%	-6.1%	0.3%	3.4%	4.9%
Benchmark: ALSI	6.6%	5.7%	8.8%	15.3%	14.3%	12.0%
% Funds outperforming ALSI	41%	43%	39%	32%	28%	36%
Benchmark: SWIX	9.0%	7.5%	10.9%	16.8%	15.6%	13.4%
% Funds outperforming SWIX	20%	24%	18%	16%	12%	18%

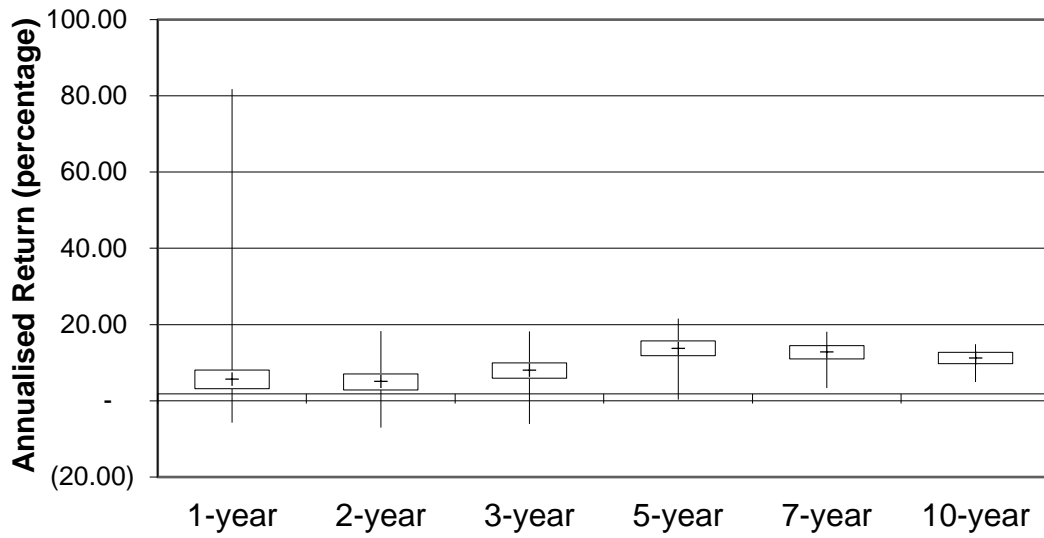
**Percentage of actively-managed equity funds outperforming equity benchmarks  
Period ended September 2016**



## 2. Fund Performance Range



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



Top of vertical line above box:

Top-performing fund

Upper horizontal boundary of box:

Top-quartile range

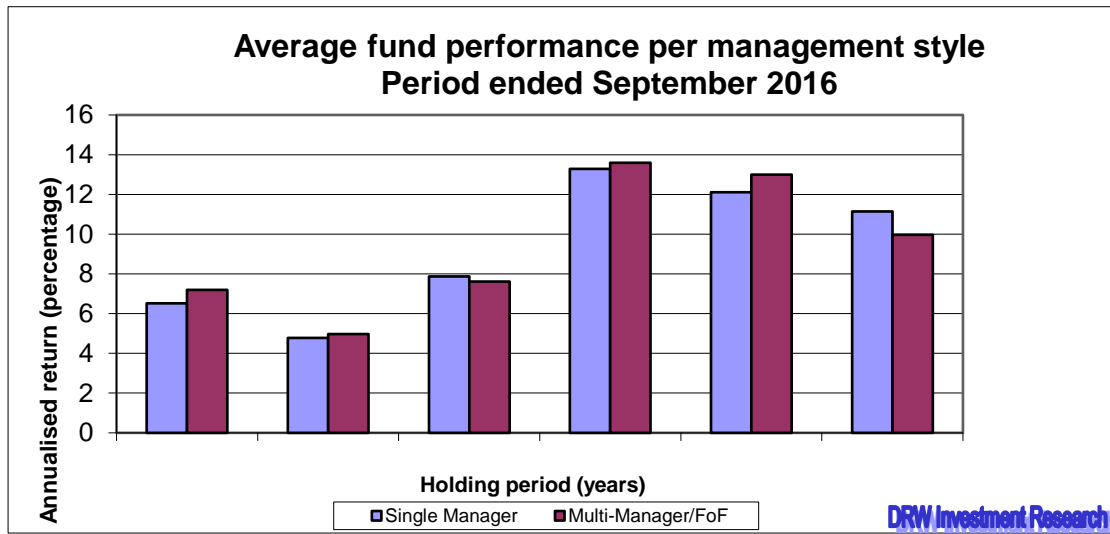
Bottom horizontal boundary of box:

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	3.6%	2.6%	7.3%	16.2%	14.6%	
Satrix 40 Portfolio	2.6%	3.5%	7.1%	14.1%	13.2%	10.8%
Satrix SWIX Top 40 Portfolio	5.6%	5.6%	9.5%	14.8%	14.5%	12.1%
Stanlib Top 40	3.9%	4.3%	7.7%	14.5%		
Stanlib Swix Top 40	6.9%	6.5%	10.1%	16.3%		

*Source: ETFSA,  
Performance survey,  
September 2016*

Average actively-managed equity funds	6.6%	4.8%	7.8%	13.3%	12.2%	11.0%
Top quartile actively-managed equity funds	8.1%	7.0%	9.9%	15.7%	14.5%	12.7%
Median actively-managed equity fund	5.7%	5.1%	8.0%	13.8%	12.8%	11.2%
Bottom quartile actively-managed equity funds	3.1%	2.8%	6.0%	11.8%	11.0%	9.7%

<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	2.6%	6.8%	13.8%	10.4%
Momentum Top 40 Index Fund	4.2%	7.5%	14.3%	10.3%
Gryphon All Share Tracker Fund	4.0%	8.0%	15.1%	11.3%
Satrix ALSI Index Fund	6.0%	8.0%	14.5%	
Stanlib Index Fund	5.2%	8.1%	14.8%	11.4%

*Source: ETFSA, Performance survey, September 2016*

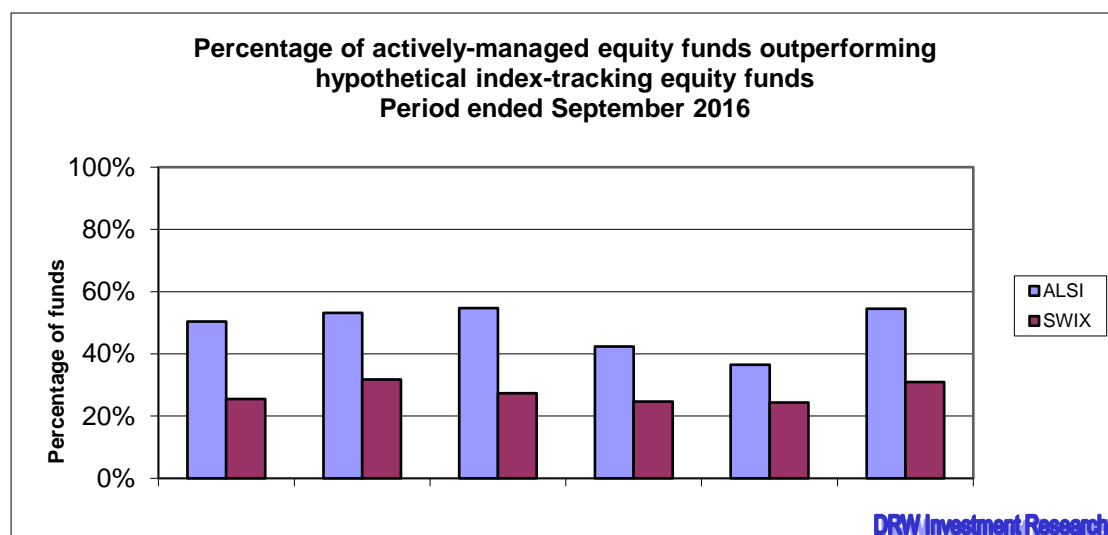
Average actively-managed equity funds	6.6%	4.8%	7.8%	13.3%
Top quartile actively-managed equity funds	8.1%	7.0%	9.9%	15.7%
Median actively-managed equity fund	5.7%	5.1%	8.0%	13.8%
Bottom quartile actively-managed equity funds	3.1%	2.8%	6.0%	11.8%



## 5. 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)



Number of funds	141	126	106	85	74	55
Best performing fund	81.8%	18.3%	18.2%	21.5%	18.1%	14.8%
Top quartile	8.1%	7.0%	9.9%	15.7%	14.5%	12.7%
Average fund performance	6.6%	4.8%	7.8%	13.3%	12.2%	11.0%
Median fund performance	5.7%	5.1%	8.0%	13.8%	12.8%	11.2%
Bottom quartile	3.1%	2.8%	6.0%	11.8%	11.0%	9.7%
Worst performing fund	-5.8%	-7.0%	-6.1%	0.3%	3.4%	4.9%
Hypothetical ALSI Index Fund TE =100 bps	5.6%	4.7%	7.8%	14.3%	13.3%	11.0%
% Funds outperforming hypothetical ALSI index fund	50%	53%	55%	42%	36%	55%
Hypothetical SWIX Index Fund TE =100 bps	8.0%	6.5%	9.9%	15.8%	14.6%	12.4%
% Funds outperforming hypothetical SWIX index fund	26%	32%	27%	25%	24%	31%

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

One-year period

Fund	Ann Return
Investec Value R	81.76
Inv Solutions Equity FoF A	26.63
RECM Equity B	21.35
Kagiso Islamic Equity A	18.27
Element Earth Equity A	18.20
Element Islamic Equity A	17.96
Allan Gray SA Equity A	17.25
Fairtree MET Equity A1	16.98
Allan Gray Equity A	16.69
PSG Equity A	16.68
Kagiso Equity Alpha A	15.92
STANLIB Value B1	15.24
Coronation Top 20 A	14.94
Sygnia Value A	13.01
Perpetua MET Equity A	12.88
Old Mutual Albaraka Equity A	12.85
Momentum Value A	12.84
Aylett Equity Prescient A1	12.28
Discovery Equity	11.97
Sanlam Select Optimised Equity B4	11.64
NeFG BCI Equity	11.38
Coronation Equity R	10.97
Nedgroup Inv Private Wealth Equity A	10.38
PSG Wealth Creator FoF D	9.68
Cannon MET Equity R	9.57
27four Shari'ah Active Eq. Prescient A1	9.55
3 Laws Climate Change Eq Prescient A1	9.43
SIM Top Choice Equity A1	9.04
Oasis Crescent Equity D	8.98
STANLIB MM All Stars Eq FoF B1	8.89
Melville Douglas STANLIB High Alpha A	8.48
Harvard House BCI Equity A	8.42
Oasis General Equity D	8.22
Afena Equity Prescient A1	8.21
Sanlam Multi Mgd Equity FoF A2	8.07
Coronation SA Equity A	8.07

Two-year period (annualised)

Fund	Ann Return
Investec Value R	18.29
Anchor BCI Equity A	16.34
Fairtree MET Equity A1	12.88
Autus BCI Equity	12.82
Investec Equity R	12.24
Nedgroup Inv Private Wealth Equity A	12.12
36ONE MET Equity A	10.57
Truffle MET General Equity A	9.41
Mazi Capital Prime Equity A1	9.28
Prime General Equity B	8.53
Allan Gray Equity A	8.49
Mergence Equity Prescient A1	8.45
Imara MET Equity A	8.34
M1 Capital Prescient Equity A2	8.30
IMI IP Equity	8.27
Marriott Dividend Growth R	8.24
Harvard House BCI Equity A	8.23
Inv Solutions Equity FoF A	8.11
27four Shari'ah Active Eq. Prescient A1	8.10
BlueAlpha BCI Select Equity C	8.07
STANLIB Value B1	7.92
Sygnia Equity A	7.88
Old Mutual Managed Alpha Equity A	7.82
Sanlam Select Optimised Equity B4	7.81
Melville Douglas STANLIB High Alpha A	7.67
Old Mutual Investors R	7.67
MET General Equity A	7.58
Aylett Equity Prescient A1	7.58
Contego B6 MET Value Equity A	7.57
PortfolioMetrix BCI Equity FoF B1	7.52
Grindrod Equity Income Growth A	7.47
Old Mutual Albaraka Equity A	7.06

Three-year period (annualised)

Fund	Ann Return
Investec Value R	18.20
Anchor BCI Equity A	17.68
Fairtree MET Equity A1	14.40
Nedgroup Inv Private Wealth Equity A	14.24
Investec Equity R	13.15
Marriott Dividend Growth R	12.36
Allan Gray Equity A	12.29
27four Shari'ah Active Eq. Prescient A1	12.13
Mergence Equity Prescient A1	11.90
Harvard House BCI Equity A	11.85
Truffle MET General Equity A	11.80
Prime General Equity B	11.80
36ONE MET Equity A	11.70
Mazi Capital Prime Equity A1	11.49
Old Mutual Investors R	11.34
SIM Top Choice Equity A1	11.20
Melville Douglas STANLIB High Alpha A	11.13
Grindrod Equity Income Growth A	11.10
Old Mutual Managed Alpha Equity A	11.09
Imara MET Equity A	10.75
IMI IP Equity	10.49
PSG Equity A	10.49
MET General Equity A	10.44
Community Growth Equity	10.34
Aeon Enhanced Equity Prescient A	10.25
Sygnia Equity A	10.20
Aylett Equity Prescient A1	9.94

Five-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	21.53
Mazi Capital Prime Equity A1	19.40
Harvard House BCI Equity A	19.08
Old Mutual Managed Alpha Equity A	17.96
Melville Douglas STANLIB High Alpha A	17.83
Momentum Best Blend Specialist Eq A	17.49
Investec Equity R	17.42
PSG Equity A	17.34
SIM Top Choice Equity A1	17.30
Foord Equity R	17.30
Truffle MET General Equity A	17.22
Imara MET Equity A	17.14
Mergence Equity Prescient A1	17.14
Old Mutual Investors R	17.03
Coronation Equity R	16.72
Sasfin MET Equity A	16.67
Aeon Enhanced Equity Prescient A	16.48
MET General Equity A	16.37
Marriott Dividend Growth R	16.25
SIM General Equity R	16.09
STANLIB MM All Stars Eq FoF B1	15.98
Allan Gray Equity A	15.71

Seven-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	18.14
Foord Equity R	16.78
Harvard House BCI Equity A	16.67
Momentum Best Blend Specialist Eq A	16.51
Marriott Dividend Growth R	16.19
Imara MET Equity A	16.18
PSG Equity A	16.12
Coronation Equity R	15.88
Old Mutual Managed Alpha Equity A	15.74
Investec Equity R	15.48
Sasfin MET Equity A	15.35
STANLIB Equity R	14.99
Allan Gray Equity A	14.93
Coronation Top 20 A	14.89
SIM Top Choice Equity A1	14.81
STANLIB MM All Stars Eq FoF B1	14.78
Old Mutual Investors R	14.72
SIM General Equity R	14.72
Aylett Equity Prescient A1	14.52

Ten-year period (annualised)

Fund	Ann Return
Coronation Top 20 A	14.80
Nedgroup Inv Private Wealth Equity A	14.57
Coronation Equity R	14.54
SIM Top Choice Equity A1	14.46
Foord Equity R	13.99
Aylett Equity Prescient A1	13.96
Marriott Dividend Growth R	13.96
Harvard House BCI Equity A	13.72
Prudential Equity A	13.66
SIM General Equity R	13.47
Prudential Dividend Maximiser A	13.24
Allan Gray Equity A	13.23
Old Mutual Managed Alpha Equity A	12.91
Investec Value R	12.79

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

Fund	10-year	7-year	5-year	3-year	2-year	1-year
Coronation Top 20 A	14.8	14.9	15.5	7.0	5.7	14.9
Nedgroup Inv Private Wealth Equity A	14.6	18.1	21.5	14.2	12.1	10.4
Coronation Equity R	14.5	15.9	16.7	8.5	6.4	11.0
SIM Top Choice Equity A1	14.5	14.8	17.3	11.2	7.0	9.0
Foord Equity R	14.0	16.8	17.3	8.9	5.0	5.4
Aylett Equity Prescient A1	14.0	14.5	15.2	9.9	7.6	12.3
Marriott Dividend Growth R	14.0	16.2	16.3	12.4	8.2	7.8
Harvard House BCI Equity A	13.7	16.7	19.1	11.9	8.2	8.4
Prudential Equity A	13.7	14.3	15.5	8.1	4.1	5.7
SIM General Equity R	13.5	14.7	16.1	9.5	5.5	7.0
Prudential Dividend Maximiser A	13.2	13.9	15.0	8.4	4.4	6.0
Allan Gray Equity A	13.2	14.9	15.7	12.3	8.5	16.7
Old Mutual Managed Alpha Equity A	12.9	15.7	18.0	11.1	7.8	7.5
Investec Value R	12.8	13.4	13.4	18.2	18.3	81.8
Kagiso Equity Alpha A	12.6	12.8	12.4	6.5	4.3	15.9
Old Mutual Investors R	12.6	14.7	17.0	11.3	7.7	7.0
Nedgroup Inv Value R	12.5	13.1	12.8	7.5	5.4	4.0
ABSA Select Equity A	12.3	11.6	11.4	5.4	0.9	2.2
PSG Equity A	12.2	16.1	17.3	10.5	5.8	16.7
Investec Equity R	12.1	15.5	17.4	13.2	12.2	7.2
Sasfin MET Equity A	11.9	15.3	16.7	7.8	3.7	1.4
SIM Value	11.9	11.7	12.1	5.3	1.1	2.8
Investec Active Quants A	11.8	14.0	14.4	7.4	2.6	6.1
Nedgroup Inv Rainmaker A	11.6	13.0	13.8	9.9	6.8	5.3
STANLIB Value B1	11.4	11.0	11.8	6.2	7.9	15.2
Efficient BCI Equity A	11.3	12.0	13.6	6.0	4.0	5.3
MET General Equity A	11.3	13.6	16.4	10.4	7.6	7.3
MI-PLAN IP Beta Equity B2	11.2	13.1	14.0	7.9	4.5	6.6
Old Mutual Growth R	11.1	11.0	12.2	7.2	3.2	6.1
Old Mutual Top Companies R	11.0	11.8	12.8	7.9	3.8	5.7
Community Growth Equity	10.7	11.6	14.0	10.3	6.4	7.5
Oasis General Equity D	10.6	11.1	11.7	5.6	1.2	8.2
FG IP Mercury Equity FoF A1	10.6	13.2	13.2	7.3	5.2	4.9
Nedgroup Inv Growth R	10.5	12.5	12.7	7.3	3.7	2.8
IFM Technical	10.5	12.4	14.4	9.3	4.5	-2.7
Inv Solutions Equity FoF A	10.4	12.6	13.2	9.8	8.1	26.6
STANLIB Equity R	10.2	15.0	15.6	8.1	4.2	5.2
STANLIB MM Equity B1	10.0	12.3	13.2	7.1	3.9	6.5
Maestro Equity Prescient A	10.0	10.9	13.5	7.1	3.9	2.0
Momentum Best Blend Multifocus FoF A	9.9	12.0	13.0	7.1	3.3	6.8
FNB Momentum Growth	9.8	12.8	13.2	8.8	5.5	7.1
Momentum Equity A	9.7	12.6	13.8	8.7	5.3	6.9
PSG MM Equity FoF A	9.4	12.9	13.8	7.4	4.0	7.8
Old Mutual Multi-Managers Equity FoF A	9.4	10.7	11.5	8.0	5.1	6.4
Old Mutual Albaraka Equity A	9.0	12.9	14.4	9.2	7.1	12.8
Oasis Crescent Equity D	8.9	9.9	10.6	4.8	0.6	9.0



Old Mutual High Yield Opp A	8.9	9.7	9.1	3.6	-1.8	-1.6
Huysamer Equity Prescient A1	8.8	10.1	10.7	5.9	1.7	0.1
STANLIB SA Equity R	8.5	13.3	13.6	5.2	1.6	4.0
Cadiz Mastermind A	8.4	8.1	8.0	-0.1	-0.7	4.0
STANLIB Capital Growth R	6.8	8.6	9.3	-0.1	-3.9	-0.4
Cannon MET Equity R	6.6	6.0	6.4	0.2	-0.2	9.6
Element Earth Equity A	5.4	4.0	3.5	0.4	-2.2	18.2
Element Islamic Equity A	5.4	4.0	3.6	1.6	-2.8	18.0
Momentum Value A	4.9	3.4	0.3	-6.1	-2.9	12.8

	10-year	7-year	5-year	3-year	2-year	1-year
ALSI INDEX BENCHMARK	12.0	14.3	15.3	8.8	5.7	6.6
SWIX INDEX BENCHMARK	13.4	15.6	16.8	10.9	7.5	9.0
Top quartile	12.7	14.5	15.7	9.9	7.0	8.1
Median	11.2	12.8	13.8	8.0	5.1	5.7
Bottom quartile	9.7	11.0	11.8	5.9	2.8	3.2



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