

June 2014

The Quest for Alpha



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

Quarter ended June 2014

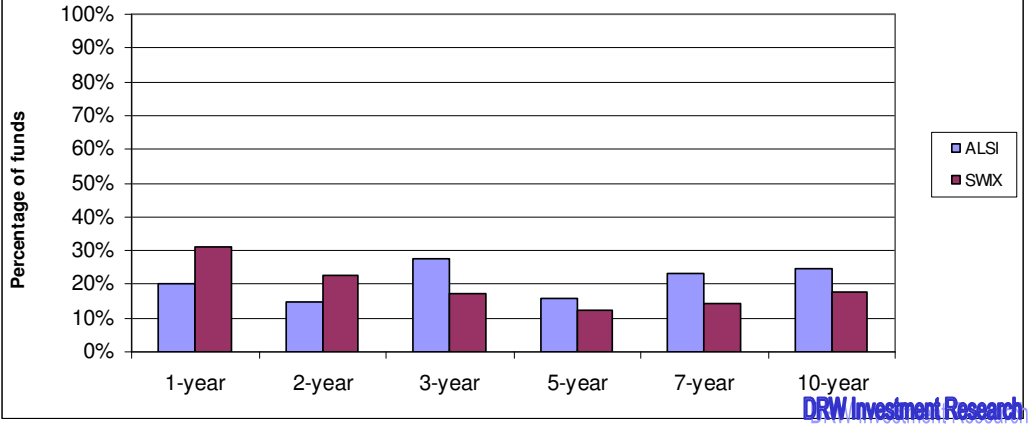
DRW Investment Research

1. Outperformance

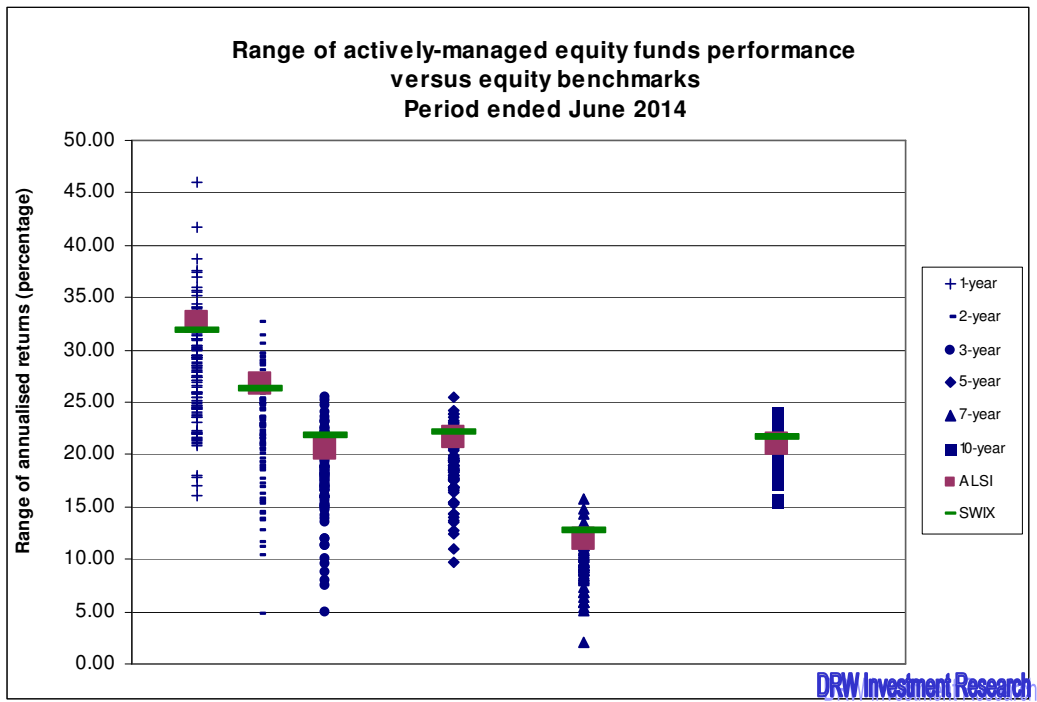
- 1) Only actively-managed equity funds are evaluated, thus index tracker or passively-managed funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the current 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 2014** and were gratefully supplied 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.

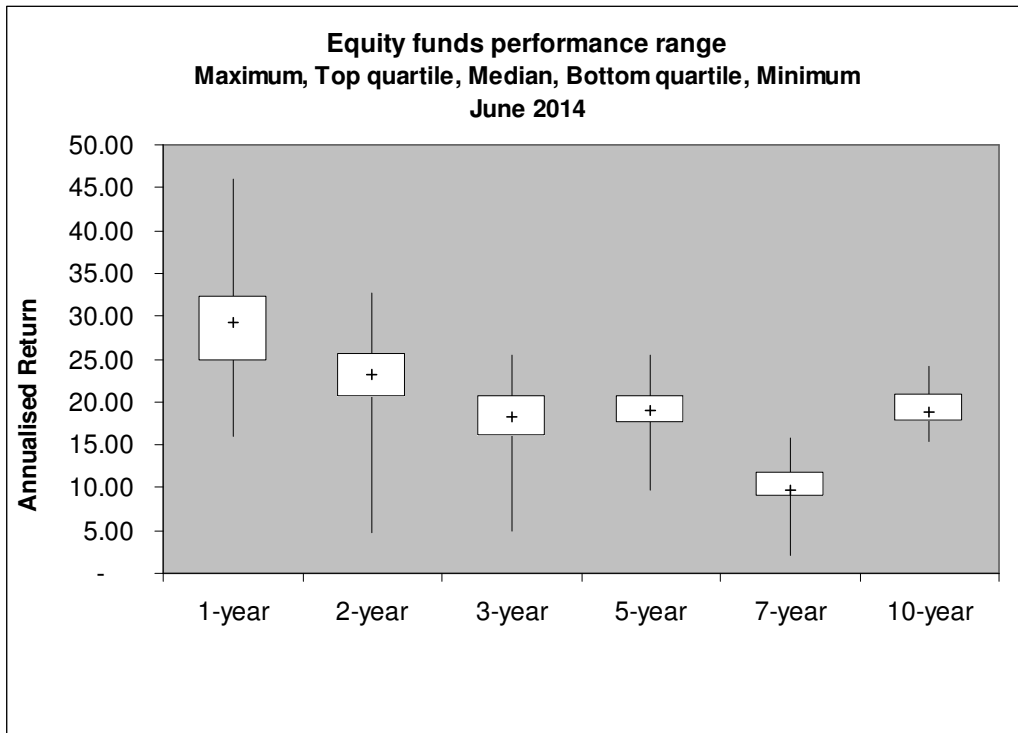
| Equity Funds | 1-year | 2-year | 3-year | 5-year | 7-year | 10-year |
|----------------------------|--------|--------|--------|--------|--------|---------|
| Number of funds | 119 | 107 | 94 | 82 | 69 | 45 |
| Best performing fund | 46.0% | 32.7% | 25.5% | 25.5% | 15.8% | 24.1% |
| Worst performing fund | 16.0% | 4.8% | 4.9% | 9.8% | 2.1% | 15.4% |
| Top quartile | 32.3% | 25.6% | 20.8% | 20.8% | 11.9% | 21.0% |
| Median | 29.2% | 23.2% | 18.2% | 19.0% | 9.7% | 18.7% |
| Bottom quartile | 24.8% | 20.5% | 15.9% | 17.6% | 8.9% | 17.8% |
| Average fund performance | 28.7% | 22.6% | 17.9% | 18.8% | 10.0% | 19.2% |
| Benchmark: ALSI | 32.7% | 26.7% | 20.6% | 21.6% | 12.0% | 21.0% |
| % Funds outperforming ALSI | 20% | 15% | 28% | 16% | 23% | 24% |
| Benchmark: SWIX | 31.9% | 26.2% | 21.8% | 22.2% | 12.8% | 21.6% |
| % Funds outperforming SWIX | 31% | 22% | 17% | 12% | 14% | 18% |

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



2. Fund Performance Range





Top of vertical line stretching above box:

Top-performing fund

Upper boundary of box:

Top-quartile range

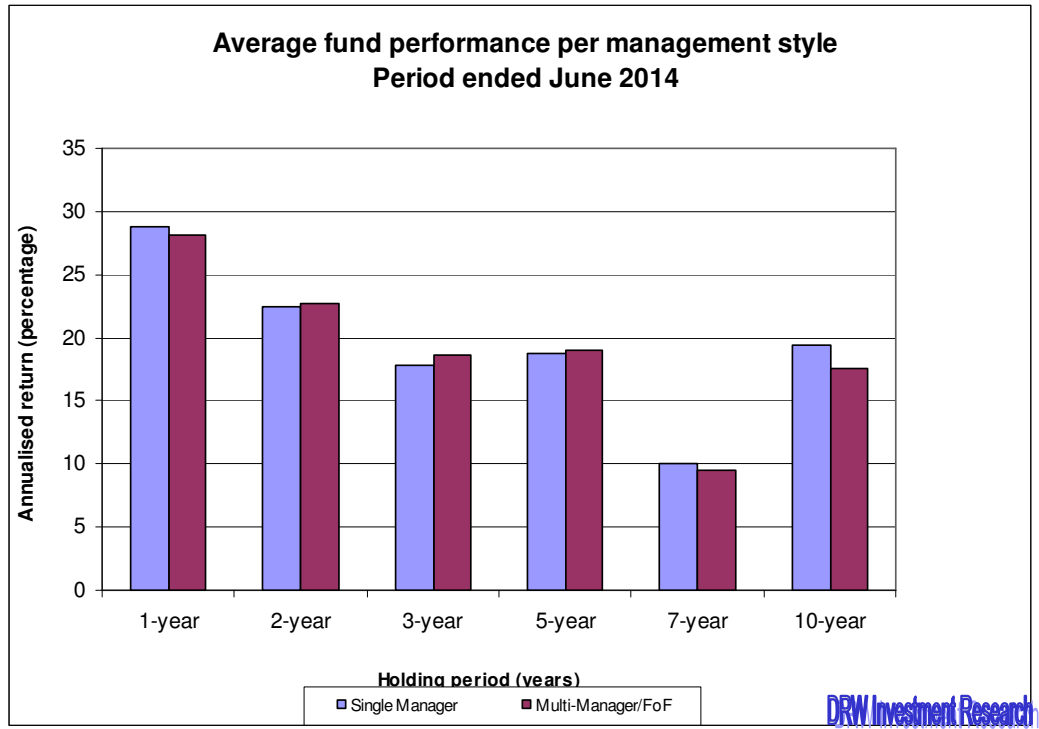
Bottom boundary of box:

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 |
|-------------------------------|-----------------|-----------------|-------------------|------------------|
| RMB Top 40 Portfolio | 35.5% | 28.3% | 20.7% | 21.4% |
| Satrix 40 Portfolio | 33.5% | 27.2% | 19.9% | 21.0% |
| Satrix SWIX Top 40 Portfolio | 33.2% | 26.9% | 21.1% | 21.3% |
| Stanlib Top 40 | 31.7% | 25.8% | 19.4% | |
| Stanlib Swix Top 40 | 32.1% | 25.5% | 20.5% | |

Source: ETFSA, Performance survey, June 2014

| | | | | |
|---|-------|-------|-------|-------|
| Average actively-managed equity funds | 28.7% | 22.6% | 17.9% | 18.8% |
| Top quartile actively-managed equity funds | 32.3% | 25.6% | 20.8% | 20.8% |
| Median actively-managed equity fund | 29.2% | 23.2% | 18.2% | 19.0% |
| Bottom quartile actively-managed equity funds | 24.8% | 20.5% | 15.9% | 17.6% |

| Index Unit Trust Investments sample | One-year | Three-year | Five-year |
|--|-----------------|-------------------|------------------|
| Kagiso Top 40 Tracker Fund | 33.9% | 19.9% | 20.6% |
| Old Mutual Top 40 Fund | 33.1% | 19.5% | 20.3% |
| Momentum Top 40 Index Fund | 34.3% | 19.7% | 20.2% |
| Gryphon All Share Tracker Fund | 31.2% | 20.6% | 21.4% |
| Satrix ALSI Index Fund | 30.7% | 19.6% | 20.7% |
| Stanlib Index Fund | 32.2% | 19.9% | 20.5% |

Source: ETFSA, Performance survey, June 2014

| | | | |
|---|-------|-------|-------|
| Average actively-managed equity funds | 28.7% | 17.9% | 18.8% |
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| Bottom quartile actively-managed equity funds | 24.8% | 15.9% | 17.6% |

5. Top Performing Equity Funds (Top Quartile Performers)

One-year period

| | |
|---------------------------------------|-------|
| Investec Value R | 45.99 |
| SIM Top Choice Equity A1 | 41.67 |
| Momentum Top 25 R | 38.76 |
| Truffle General Equity A | 37.51 |
| PSG Equity A | 37.45 |
| Anchor MET Equity A | 36.96 |
| NFB ACi Equity B1 | 35.96 |
| Old Mutual Investors R | 35.60 |
| Fairtree Equity Prescient A1 | 35.47 |
| Discovery Dynamic Equity | 35.22 |
| SIM General Equity R | 34.45 |
| NeFG MET Equity | 34.10 |
| Allan Gray Equity A | 34.01 |
| Old Mutual Growth R | 33.88 |
| Old Mutual Top Companies R | 33.81 |
| Inv Solutions Equity FoF A | 33.79 |
| Investec Equity R | 33.47 |
| Coronation Top 20 A | 33.27 |
| PSG MM Equity FoF A | 33.11 |
| Seed Equity | 33.03 |
| Nedgroup Inv Rainmaker A | 32.96 |
| Investec Active Quants A | 32.90 |
| PSG Wealth Creator FoF D | 32.81 |
| Grindrod RAFI® Enhanced SA Strategy A | 32.81 |
| Coronation Equity R | 32.68 |
| Mergence Equity Prescient A1 | 32.53 |
| Afena Equity Prescient A1 | 32.39 |
| Community Growth Equity | 32.38 |
| SIM Value R | 32.35 |
| Momentum Best Blend Multifocus FoF A | 32.33 |

Two-year period (annualised)

| | |
|---|-------|
| PSG Equity A | 32.69 |
| SIM Top Choice Equity A1 | 31.36 |
| Coronation Equity R | 30.53 |
| 36ONE MET Equity | 29.62 |
| Momentum Top 25 R | 29.59 |
| Fairtree Equity Prescient A1 | 29.26 |
| SIM General Equity R | 29.01 |
| Foord Equity R | 28.81 |
| Coronation Top 20 A | 28.71 |
| Harvard House MET Equity | 28.57 |
| NeFG MET Equity | 28.07 |
| Mergence Equity Prescient A1 | 27.60 |
| Old Mutual Investors R | 27.50 |
| Prudential Equity A | 27.05 |
| Old Mutual Active Quant Equity A | 26.87 |
| Ashburton SA Equity B1 | 26.84 |
| PSG MM Equity FoF A | 26.50 |
| STANLIB Equity R | 26.47 |
| Melville Douglas High Alpha | 26.35 |
| Investec Active Quants A | 26.30 |
| Prudential Dividend Maximiser A | 26.27 |
| Momentum Best Blend Specialist Eq A | 26.24 |
| 27four Shari'ah Active Eq. Prescient A1 | 26.23 |
| Aeon Enhanced Equity Prescient A | 26.21 |
| Mazi Capital MET Equity A1 | 26.17 |
| PSG Wealth Creator FoF D | 26.16 |
| STANLIB MM All Stars Eq FoF A | 25.86 |

Three-year period (annualised)

| | |
|-------------------------------------|-------|
| Foord Equity R | 25.48 |
| Harvard House MET Equity | 25.18 |
| Mazi Capital MET Equity A1 | 24.76 |
| PSG Equity A | 24.09 |
| Sasfin MET Equity A | 23.55 |
| Coronation Equity R | 23.18 |
| Imara MET Equity | 23.15 |
| Momentum Best Blend Specialist Eq A | 23.11 |
| STANLIB Equity R | 22.54 |
| SIM Top Choice Equity A1 | 22.47 |
| Melville Douglas High Alpha | 22.46 |
| Truffle General Equity A | 22.21 |
| Old Mutual Active Quant Equity A | 22.18 |
| Coronation Top 20 A | 22.07 |
| Investec Active Quants A | 21.99 |
| Stewart Macro Equity FoF A | 21.89 |
| SIM General Equity R | 21.79 |
| Mergence Equity Prescient A1 | 21.56 |
| Prudential Equity A | 21.27 |
| Ashburton Multi Manager Equity B1 | 21.25 |
| Old Mutual Investors R | 21.15 |
| Allan Gray Equity A | 20.92 |
| STANLIB SA Equity R | 20.84 |
| Aeon Enhanced Equity Prescient A | 20.77 |

Five-year period (annualised)

| | |
|-------------------------------------|-------|
| Foord Equity R | 25.50 |
| PSG Equity A | 24.20 |
| Coronation Equity R | 23.92 |
| Momentum Best Blend Specialist Eq A | 23.87 |
| Sasfin MET Equity A | 23.61 |
| Harvard House MET Equity | 23.29 |
| Imara MET Equity | 23.08 |
| Coronation Top 20 A | 22.86 |
| SIM General Equity R | 22.33 |
| Old Mutual Active Quant Equity A | 22.24 |
| Investec Active Quants A | 22.14 |
| STANLIB Equity R | 22.05 |
| SIM Top Choice Equity A1 | 21.64 |
| Marriott Dividend Growth R | 21.58 |
| Prudential Equity A | 21.46 |
| Old Mutual Investors R | 21.37 |
| Prudential Dividend Maximiser A | 21.14 |
| STANLIB SA Equity R | 21.07 |
| PSG Wealth Creator FoF D | 20.85 |
| Stewart Macro Equity FoF A | 20.84 |
| SIM Value R | 20.80 |

Seven-year period (annualised)

| | |
|----------------------------------|-------|
| Coronation Top 20 A | 15.79 |
| Coronation Equity R | 14.76 |
| Foord Equity R | 14.41 |
| Aylett Equity Prescient A3 | 13.47 |
| ABSA Select Equity | 13.45 |
| Marriott Dividend Growth R | 13.24 |
| Prudential Equity A | 13.22 |
| Prudential Dividend Maximiser A | 13.16 |
| SIM Top Choice Equity A1 | 13.12 |
| SIM General Equity R | 12.94 |
| Kagiso Equity Alpha | 12.49 |
| Harvard House MET Equity | 12.49 |
| Nedgroup Inv Value R | 12.49 |
| Allan Gray Equity A | 12.42 |
| Investec Active Quants A | 12.31 |
| Old Mutual Active Quant Equity A | 12.15 |
| SIM Value R | 11.98 |
| Old Mutual Investors R | 11.86 |

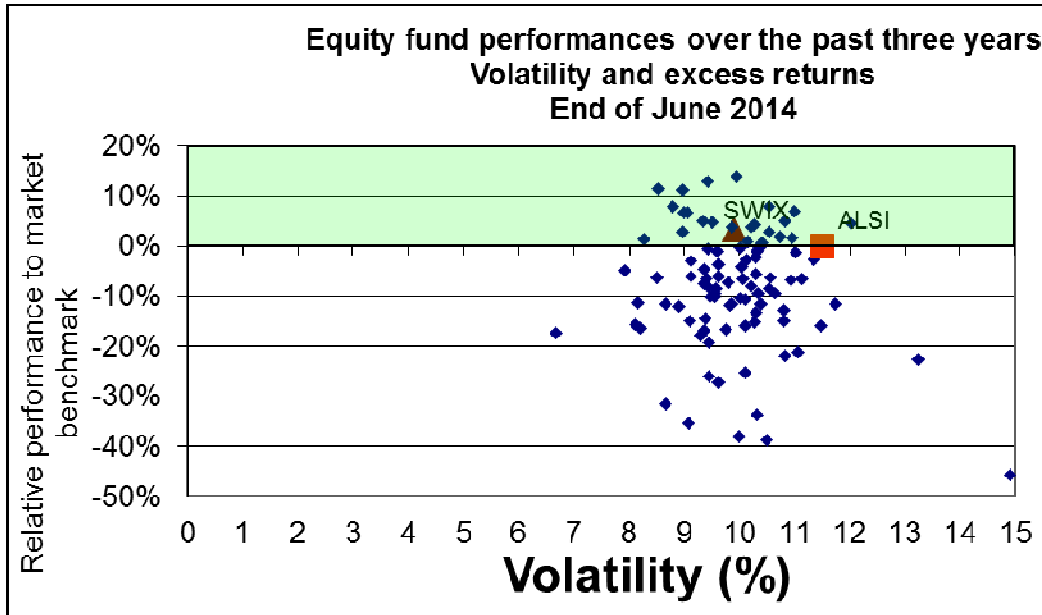
Ten-year period (annualised)

| | |
|---------------------------------|-------|
| Coronation Top 20 A | 24.12 |
| Foord Equity R | 23.00 |
| Kagiso Equity Alpha | 22.96 |
| Prudential Equity A | 22.78 |
| Coronation Equity R | 22.72 |
| Prudential Dividend Maximiser A | 22.60 |
| SIM Value R | 22.03 |
| ABSA Select Equity | 21.96 |
| SIM General Equity R | 21.56 |
| Allan Gray Equity A | 21.43 |
| PSG Equity A | 21.16 |
| Nedgroup Inv Value R | 20.98 |

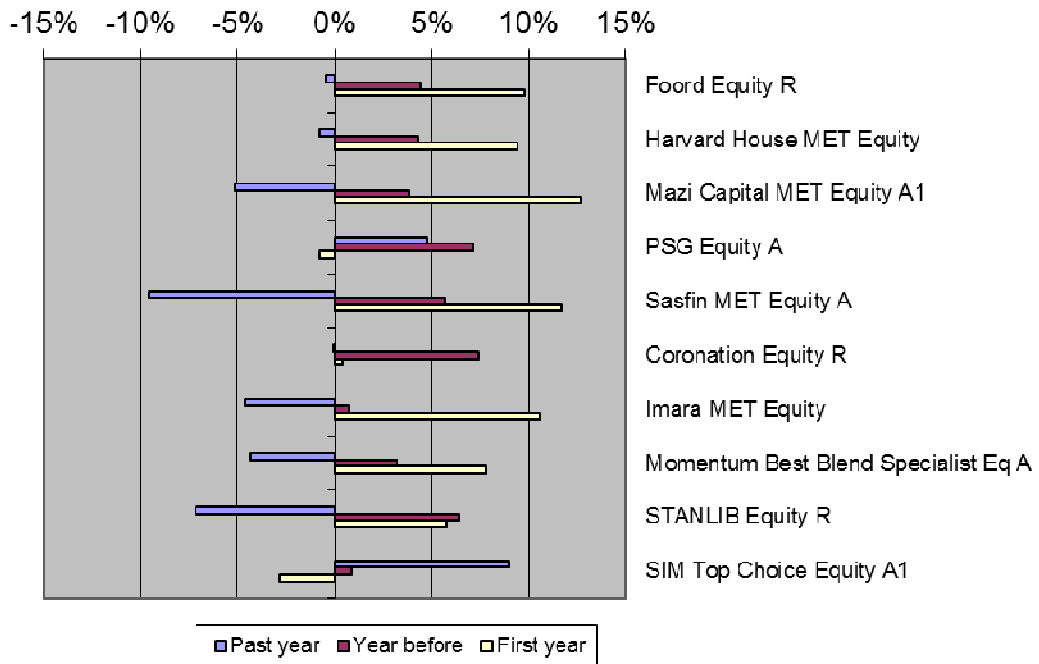
6. Persistence of Fund Performance (annualised returns)

| Fund | 10-year | 7-year | 5-year | 3-year | 2-year | 1-year |
|--------------------------------------|---------|--------|--------|--------|--------|--------|
| Coronation Top 20 A | 24.1 | 15.8 | 22.9 | 22.1 | 28.7 | 33.3 |
| Foord Equity R | 23.0 | 14.4 | 25.5 | 25.5 | 28.8 | 32.3 |
| Kagiso Equity Alpha | 23.0 | 12.5 | 20.7 | 18.1 | 23.3 | 32.2 |
| Prudential Equity A | 22.8 | 13.2 | 21.5 | 21.3 | 27.0 | 29.2 |
| Coronation Equity R | 22.7 | 14.8 | 23.9 | 23.2 | 30.5 | 32.7 |
| Prudential Dividend Maximiser A | 22.6 | 13.2 | 21.1 | 20.4 | 26.3 | 28.9 |
| SIM Value R | 22.0 | 12.0 | 20.8 | 19.0 | 25.3 | 32.3 |
| ABSA Select Equity | 22.0 | 13.5 | 19.5 | 17.4 | 20.5 | 25.9 |
| SIM General Equity R | 21.6 | 12.9 | 22.3 | 21.8 | 29.0 | 34.5 |
| Allan Gray Equity A | 21.4 | 12.4 | 20.5 | 20.9 | 25.4 | 34.0 |
| PSG Equity A | 21.2 | 11.8 | 24.2 | 24.1 | 32.7 | 37.5 |
| Nedgroup Inv Value R | 21.0 | 12.5 | 20.6 | 16.8 | 19.3 | 27.5 |
| Nedgroup Inv Growth R | 20.0 | 9.6 | 19.4 | 16.8 | 22.8 | 28.1 |
| Old Mutual Active Quant Equity A | 20.0 | 12.1 | 22.2 | 22.2 | 26.9 | 30.2 |
| Nedgroup Inv Rainmaker A | 20.0 | 10.9 | 19.0 | 17.3 | 22.8 | 33.0 |
| Old Mutual Investors R | 19.8 | 11.9 | 21.4 | 21.2 | 27.5 | 35.6 |
| Marriott Dividend Growth R | 19.7 | 13.2 | 21.6 | 20.2 | 21.2 | 21.4 |
| Investec Equity R | 19.3 | 10.2 | 19.4 | 19.7 | 25.1 | 33.5 |
| Oasis General Equity D | 19.3 | 10.6 | 19.0 | 18.5 | 23.3 | 30.3 |
| Old Mutual Growth R | 19.2 | 10.5 | 17.9 | 16.1 | 21.8 | 33.9 |
| Analytics ACi Managed Equity A | 19.1 | 10.4 | 19.5 | 17.5 | 23.6 | 29.3 |
| Nedgroup Inv Core Eq A | 18.8 | 10.3 | 18.6 | 16.0 | 21.0 | 32.3 |
| Investec Value R | 18.7 | 9.0 | 15.5 | 11.3 | 17.1 | 46.0 |
| STANLIB Value A | 18.7 | 9.2 | 17.8 | 15.9 | 18.9 | 23.8 |
| Old Mutual Top Companies R | 18.5 | 10.8 | 18.5 | 16.9 | 22.7 | 33.8 |
| Momentum Equity R | 18.4 | 9.7 | 19.5 | 18.6 | 22.9 | 31.5 |
| MET General Equity | 18.2 | 10.2 | 19.5 | 19.9 | 24.7 | 25.0 |
| Community Growth Equity | 18.1 | 9.3 | 16.6 | 16.5 | 23.5 | 32.4 |
| Investec Growth R | 18.0 | 8.5 | 18.0 | 15.9 | 18.5 | 16.0 |
| FNB Momentum Growth | 18.0 | 9.5 | 19.4 | 17.2 | 22.1 | 31.0 |
| STANLIB Equity R | 18.0 | 9.9 | 22.1 | 22.5 | 26.5 | 25.5 |
| STANLIB Growth R | 17.9 | 6.0 | 17.7 | 18.0 | 21.1 | 26.4 |
| PSG MM Equity FoF A | 17.8 | 9.1 | 19.7 | 20.2 | 26.5 | 33.1 |
| Inv Solutions Equity FoF A | 17.8 | 9.3 | 17.9 | 17.0 | 21.9 | 33.8 |
| Momentum Best Blend Multifocus FoF A | 17.6 | 9.5 | 18.8 | 18.7 | 24.3 | 32.3 |
| STANLIB MM Equity A1 | 17.5 | 9.3 | 18.7 | 17.8 | 22.9 | 30.4 |
| SMMI Equity FoF A | 17.5 | 9.0 | 17.7 | 16.6 | 22.6 | 30.9 |
| STANLIB SA Equity R | 17.4 | 8.0 | 21.1 | 20.8 | 23.5 | 24.6 |
| Old Mutual High Yield Opp A | 17.3 | 8.7 | 18.6 | 14.9 | 20.1 | 29.5 |
| Oasis Crescent Equity D | 17.2 | 8.2 | 16.8 | 16.7 | 21.9 | 25.5 |
| Old Mutual SYmmETRY Equity FoF A | 17.2 | 8.4 | 16.3 | 14.7 | 19.6 | 28.4 |
| Momentum Value A | 15.8 | 5.9 | 12.8 | 4.9 | 4.8 | 21.9 |
| Old Mutual Albaraka Equity | 15.8 | 6.8 | 18.1 | 18.7 | 21.5 | 25.8 |
| Personal Trust High Yield Growth | 15.5 | 8.2 | 16.9 | 15.0 | 15.8 | 23.5 |
| Element Earth Equity A | 15.4 | 6.4 | 10.9 | 7.9 | 10.4 | 21.5 |
| ALSI | 21.0 | 12.0 | 21.6 | 20.6 | 26.7 | 32.7 |
| SWIX | 21.6 | 12.8 | 22.2 | 21.8 | 26.2 | 31.9 |

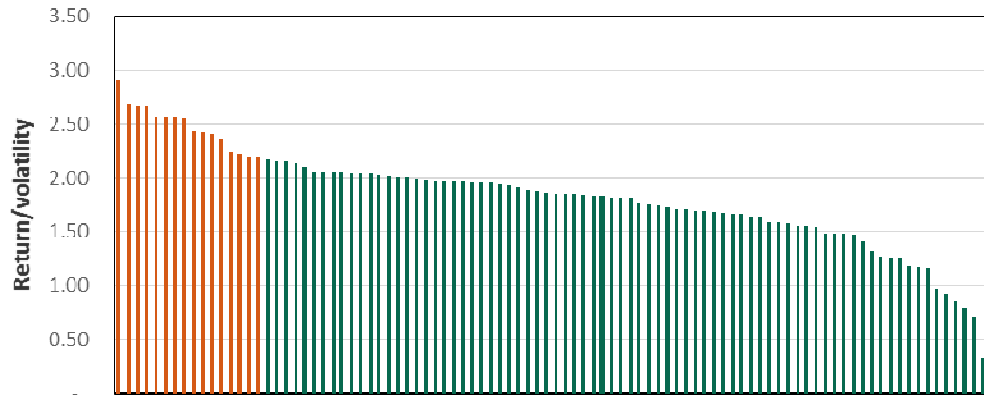
7. Volatility and Fund Performance (annualised returns)



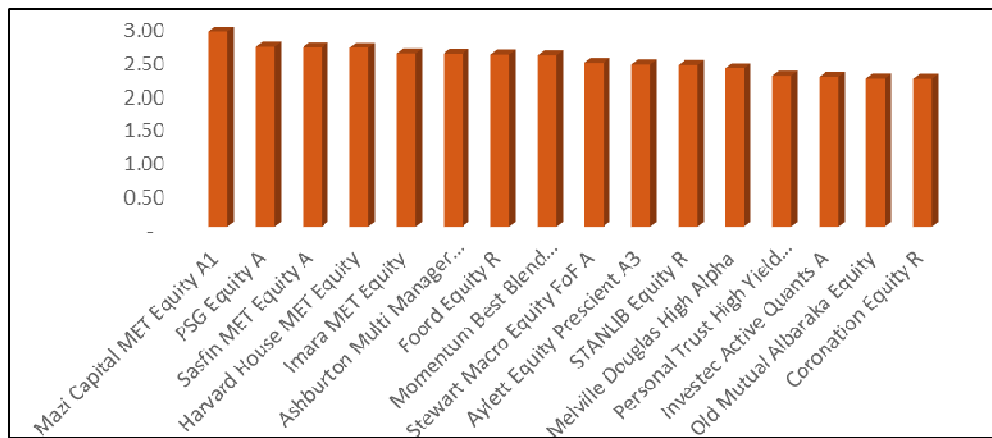
Top-performing equity funds over the past three years
Performance relative to ALSI benchmark



Three-year return relative to price volatility
June 2014



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





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