

June 2016

The Quest for Alpha



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

Quarter ended June 2016

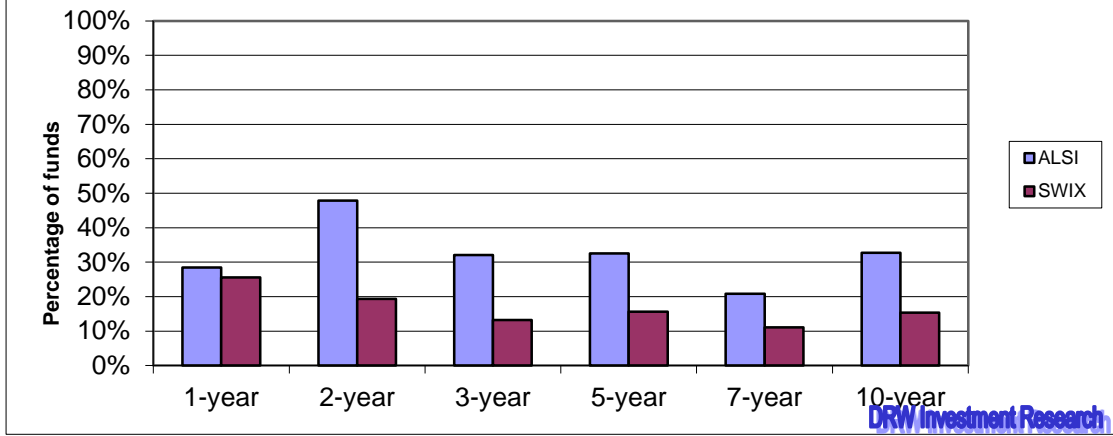
DRW Investment Research

1. Outperformance

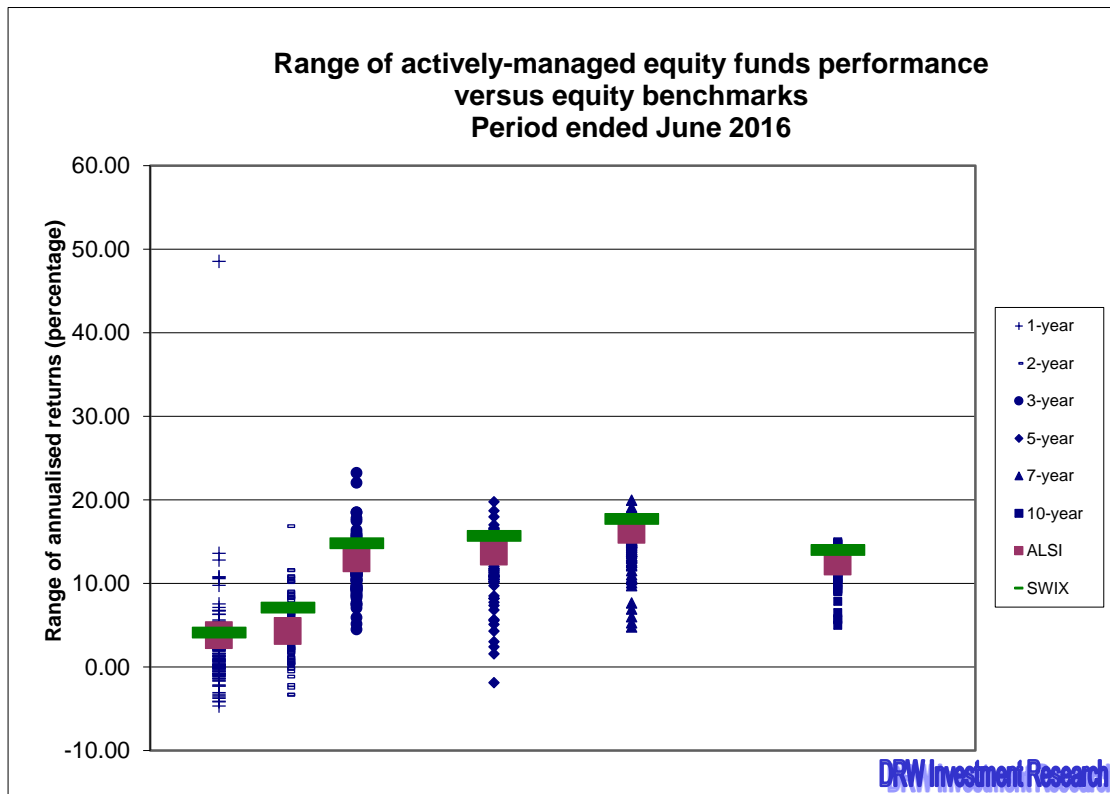
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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% |
| % Funds outperforming ALSI | 28% | 48% | 32% | 33% | 21% | 33% |
| Benchmark: SWIX | 4.1% | 7.1% | 14.8% | 15.7% | 17.7% | 14.0% |
| % Funds outperforming SWIX | 26% | 19% | 13% | 16% | 11% | 15% |

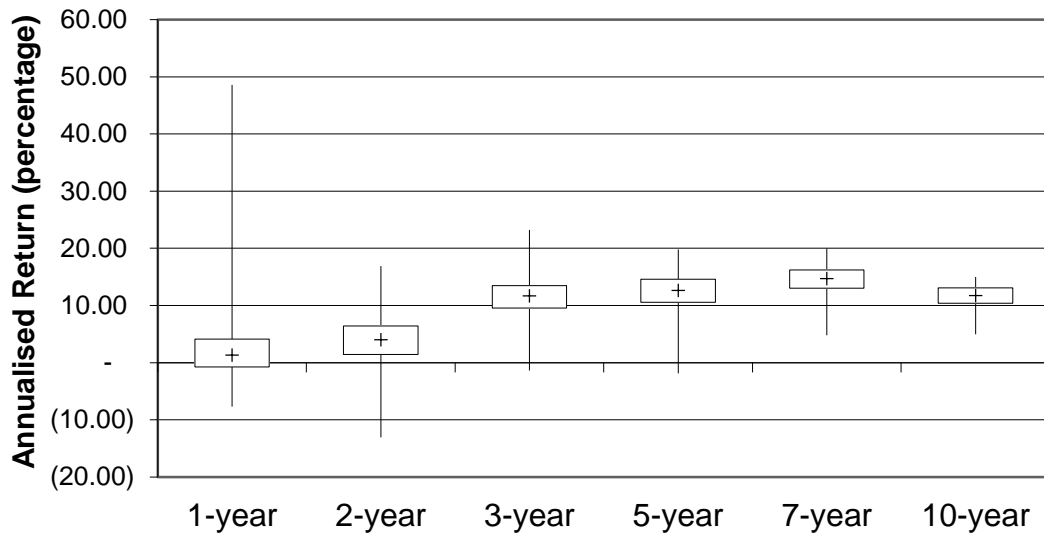
Percentage of actively-managed equity funds outperforming equity benchmarks
Period ended June 2016



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

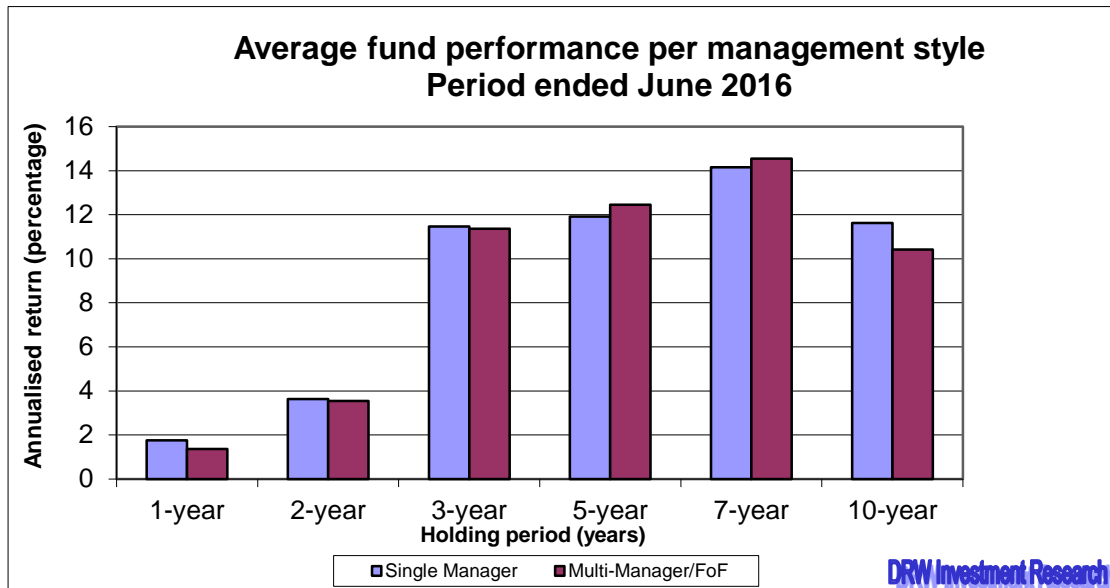
Bottom horizontal boundary of box:

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% |

| Index Unit Trust Investments sample | One-year | Three-year | Five-year | Ten-year |
|--|-----------------|-------------------|------------------|-----------------|
| 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

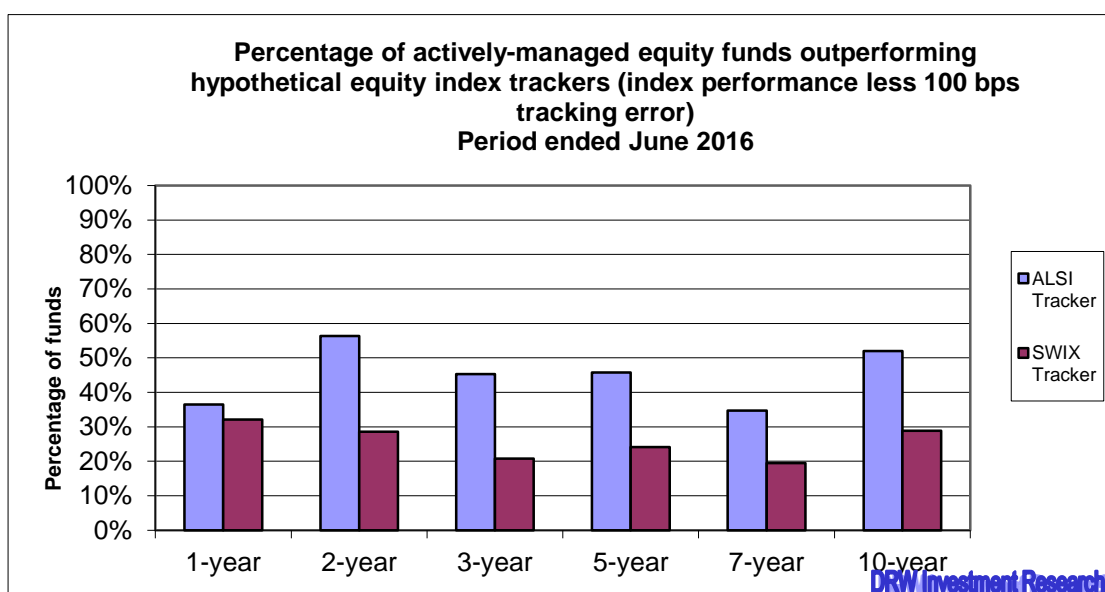
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| Bottom quartile actively-managed equity funds | -0.8% | 9.6% | 10.5% | 10.4% |

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 |

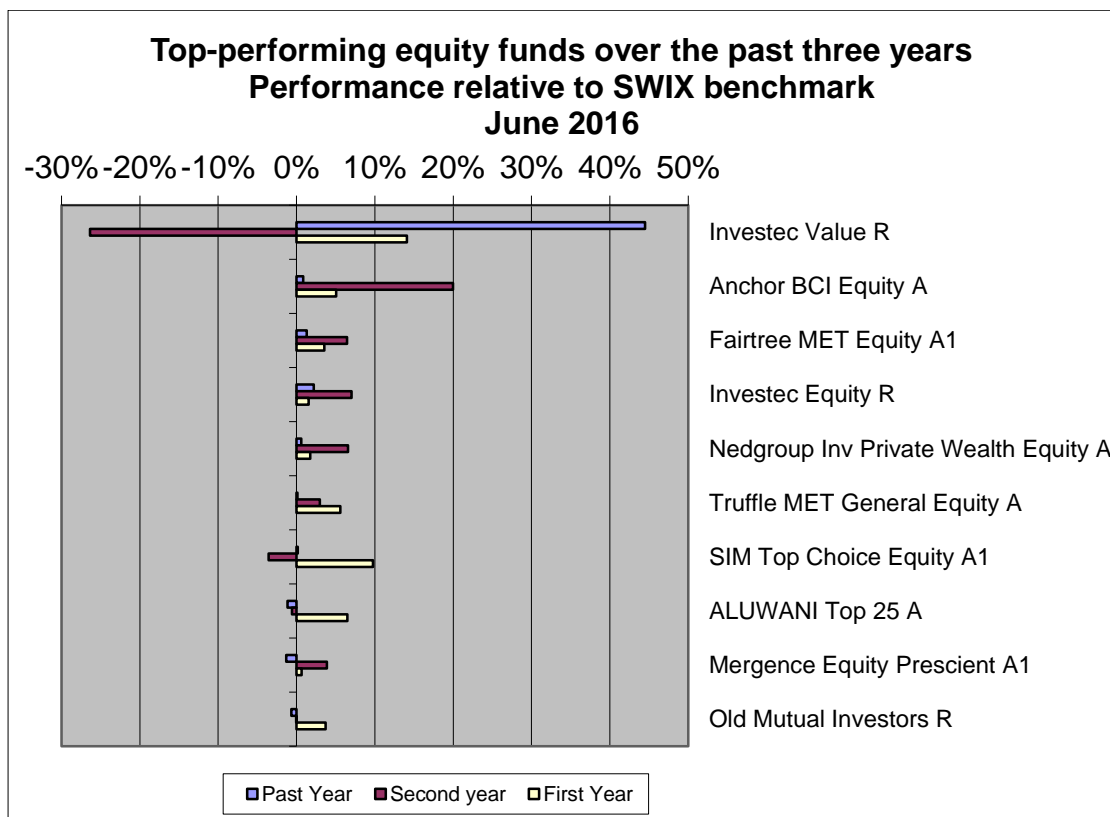
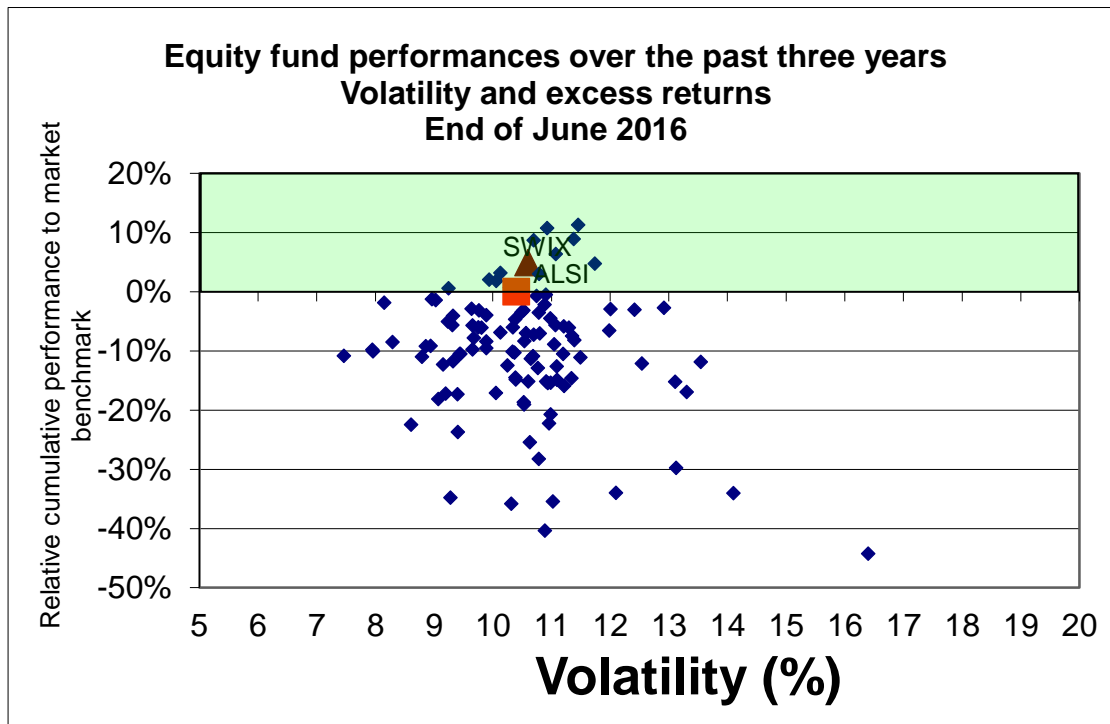
6. Persistence of Fund Performance (annualised returns)

| 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 |

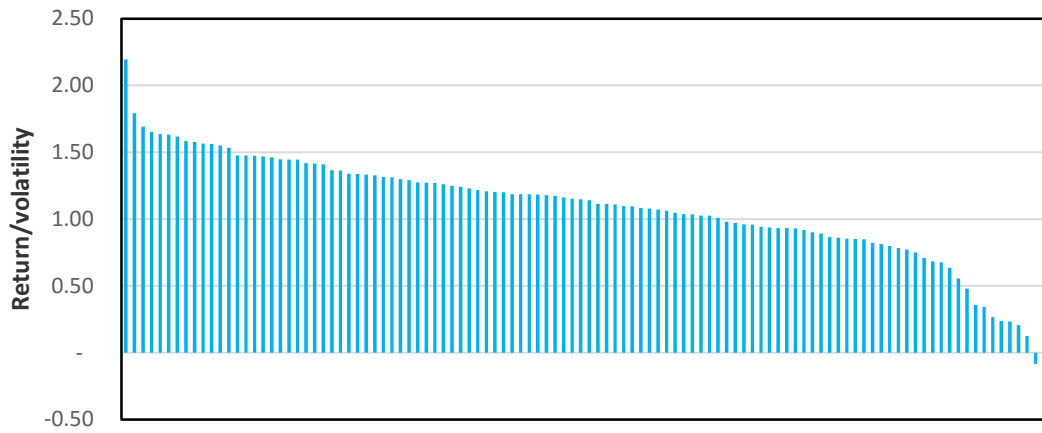
| Fund | 10-year | 7-year | 5-year | 3-year | 2-year | 1-year |
|-----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Old Mutual High Yield Opp A | 9.2 | 12.2 | 7.7 | 7.4 | -2.1 | -7.4 |
| Cadiz Mastermind A | 9.0 | 10.5 | 5.7 | 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 |

| | 10-year | 7-year | 5-year | 3-year | 2-year | 1-year |
|----------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| 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 |

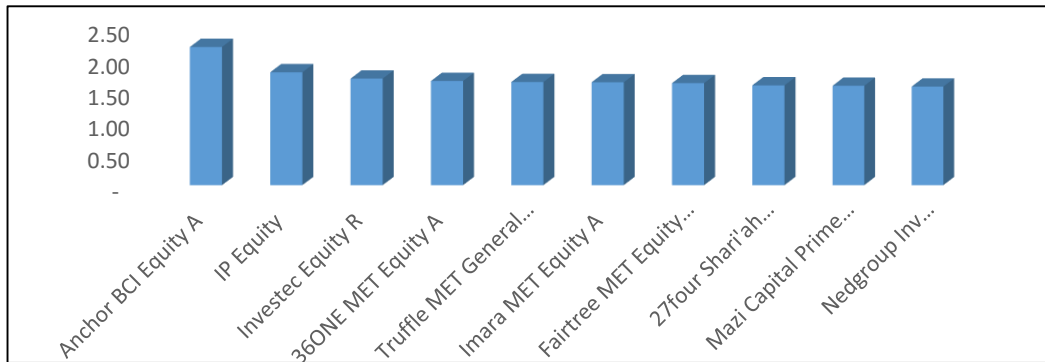
7. Relative Fund Performance



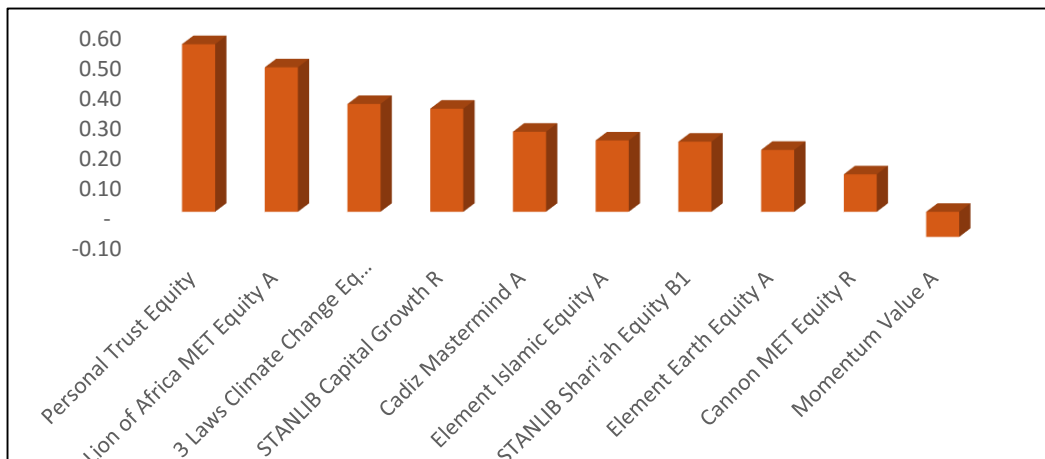
Three-year return relative to price volatility
June 2016



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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