

**March 2016**

## **The Quest for Alpha**



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

**Quarter ended March 2016**

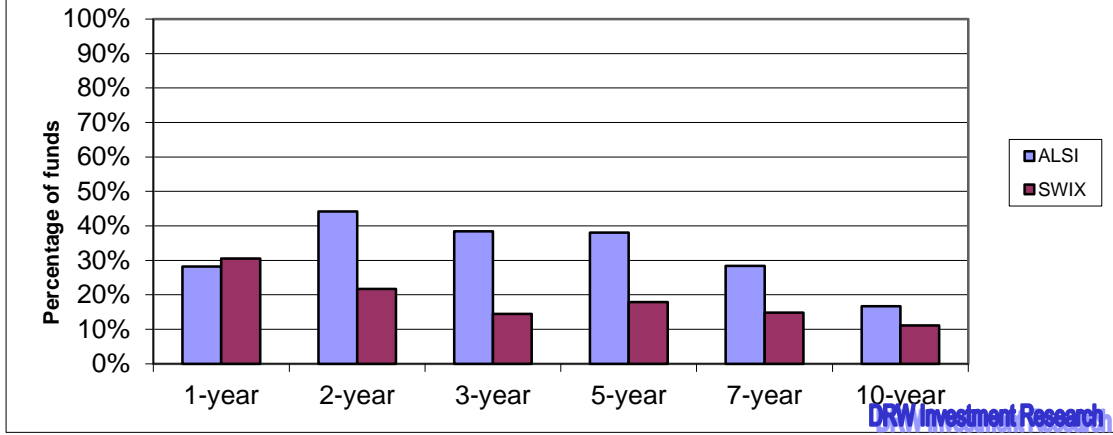
**DRW Investment Research**

## 1. Outperformance

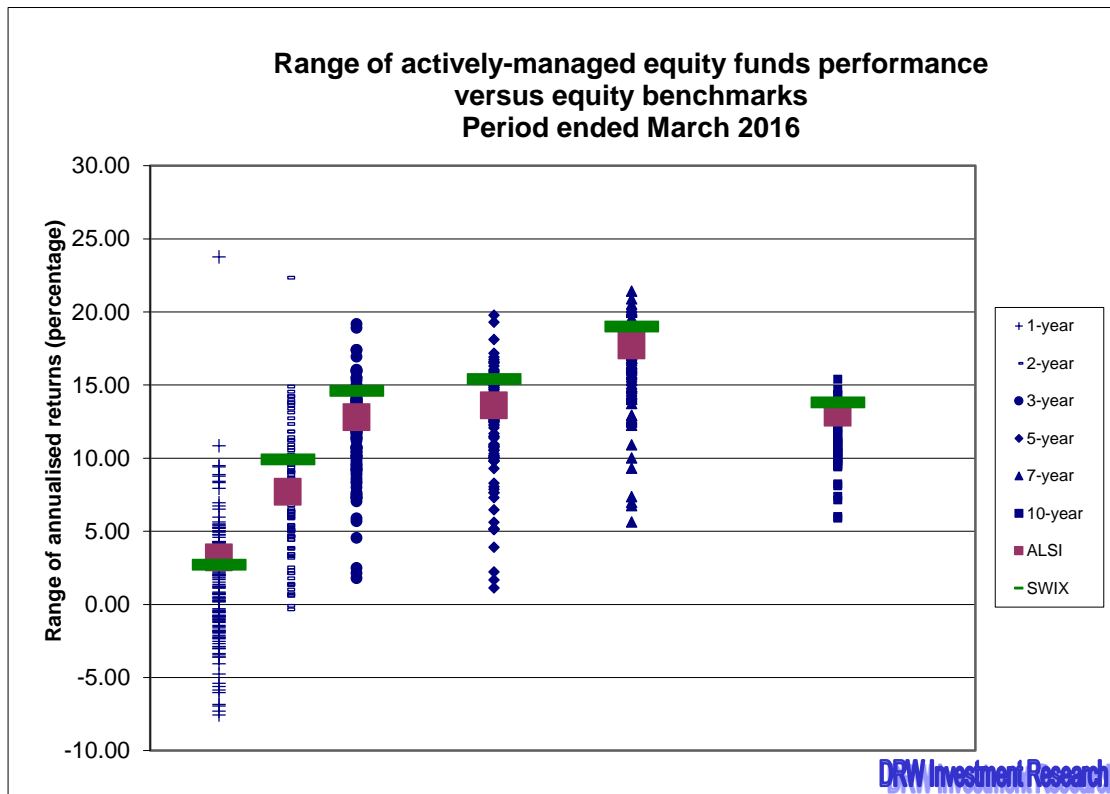
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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 **31 March 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	131	120	104	84	74	54
Best performing fund	23.8%	22.3%	19.2%	19.8%	21.4%	15.4%
Worst performing fund	-14.2%	-14.9%	-6.6%	-1.8%	5.6%	5.0%
Top quartile	4.0%	9.2%	13.7%	14.7%	18.0%	12.8%
Median	0.7%	6.9%	11.8%	12.5%	16.3%	11.1%
Bottom quartile	-1.8%	3.9%	9.2%	10.0%	14.4%	10.0%
Average fund performance	0.8%	6.2%	11.0%	11.8%	15.8%	11.0%
Benchmark: ALSI	3.2%	7.7%	12.8%	13.6%	17.7%	13.1%
<b>% Funds outperforming ALSI</b>	<b>28%</b>	<b>44%</b>	<b>38%</b>	<b>38%</b>	<b>28%</b>	<b>17%</b>
Benchmark: SWIX	2.7%	9.9%	14.6%	15.4%	19.0%	13.8%
<b>% Funds outperforming SWIX</b>	<b>31%</b>	<b>22%</b>	<b>14%</b>	<b>18%</b>	<b>15%</b>	<b>11%</b>

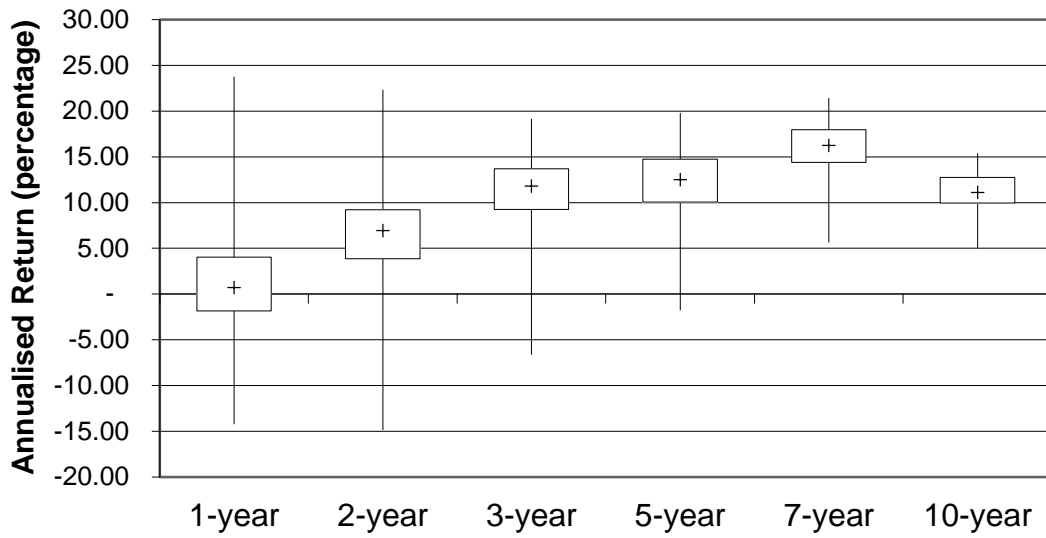
**Percentage of actively-managed equity funds outperforming equity benchmarks  
Period ended March 2016**



## 2. Fund Performance Range



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



Top of vertical line above box:

Top-performing fund

Upper horizontal boundary of box:

Top-quartile range

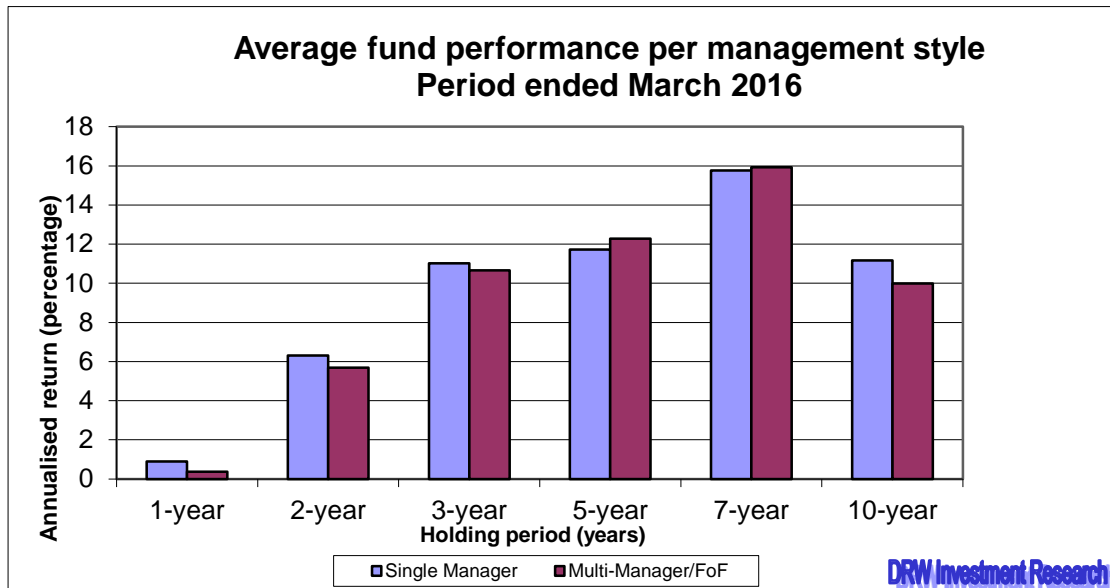
Bottom horizontal boundary of box:

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	1.7%	4.9%	13.4%	14.3%	18.2%	
Satrix 40 Portfolio	2.7%	6.1%	12.0%	12.4%	16.6%	12.3%
Satrix SWIX Top 40 Portfolio	2.4%	8.5%	14.4%	14.5%	18.0%	
Stanlib Top 40	3.4%	6.4%	12.6%	12.9%		
Stanlib Swix Top 40	3.2%	8.9%	14.8%	14.9%		

Source: ETFSA,  
Performance survey,  
March 2016

Average actively-managed equity funds	0.8%	6.2%	11.0%	11.8%	15.8%	11.0%
Top quartile actively-managed equity funds	4.0%	9.2%	13.7%	14.7%	18.0%	12.8%
Median actively-managed equity fund	0.7%	6.9%	11.8%	12.5%	16.3%	11.1%
Bottom quartile actively-managed equity funds	-1.8%	3.9%	9.2%	10.0%	14.4%	10.0%

Index Unit Trust Investments sample	One-year	Three-year	Five-year	Ten-year
Kagiso Top 40 Tracker Fund	2.1%	11.5%	12.0%	11.1%
Momentum Top 40 Index Fund	2.9%	12.0%	12.3%	11.6%
Gryphon All Share Tracker Fund	1.5%	12.2%	13.1%	12.3%
Satrix ALSI Index Fund	2.7%	11.9%	12.8%	
Stanlib Index Fund	2.6%	12.2%	13.0%	12.7%

Source: ETFSA, Performance survey,  
March 2016

Average actively-managed equity funds	0.8%	11.0%	11.8%	11.0%
Top quartile actively-managed equity funds	4.0%	13.7%	14.7%	12.8%
Median actively-managed equity fund	0.7%	11.8%	12.5%	11.1%
Bottom quartile actively-managed equity funds	-1.8%	9.2%	10.0%	10.0%

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

One-year period

Fund	Ann Return
Investec Value R	23.76
Anchor BCI Equity A	10.84
Autus BCI Equity	9.50
Allan Gray Equity A	9.41
27four Shari'ah Active Eq. Prescient A1	8.89
Allan Gray SA Equity A	8.76
Old Mutual Albaraka Equity A	8.41
IP Equity	8.34
Sygnia Value A	7.94
SPW Equity A1	6.95
Mazi Capital Prime Equity A1	6.73
Fairtree MET Equity A1	6.51
Inv Solutions Equity FoF A	5.97
Prime General Equity B	5.64
Investec Equity R	5.50
Counterpoint MET High Yield Equity R	5.44
IFM Technical	5.37
Imara MET Equity A	5.27
Truffle MET General Equity A	5.25
STANLIB Equity R	5.20
Nedgroup Inv Private Wealth Equity A	5.05
MET General Equity A	5.00
SIM Top Choice Equity A1	4.94
STANLIB Value A	4.80
Mergence Equity Prescient A1	4.75
36ONE MET Equity A	4.58
Sasfin MET Equity A	4.31
M1 Capital Prescient Equity A2	4.28
STANLIB MM All Stars Eq FoF B1	4.28
Trillian IP FCF Equity A	4.26
Momentum Top 25 A	4.23
Nedgroup Inv Rainmaker A	4.17
Dolberg Spencer BCI Equity A	4.11



Two-year period (annualised)

Fund	Ann Return
Anchor BCI Equity A	22.34
Contego B6 MET Value Equity A	14.89
Investec Equity R	14.55
Marriott Dividend Growth R	14.25
Fairtree MET Equity A1	14.24
Prime General Equity B	13.99
Nedgroup Inv Private Wealth Equity A	13.83
IP Equity	13.79
IFM Technical	13.64
Mazi Capital Prime Equity A1	13.40
36ONE MET Equity A	13.13
Truffle MET General Equity A	12.73
Laurium Equity Prescient A1	12.34
Mergence Equity Prescient A1	11.84
Grindrod Equity Income Growth A	11.82
BlueAlpha BCI Select Equity C	11.43
Imara MET Equity A	11.25
Harvard House BCI Equity A	11.19
27four Shari'ah Active Eq. Prescient A1	10.93
Melville Douglas STANLIB High Alpha A	10.71
MET General Equity A	10.55
Old Mutual Managed Alpha Equity A	10.26
Old Mutual Investors R	10.20
Sygnia Equity A	10.19
Momentum Top 25 A	10.02
Allan Gray Equity A	9.95
Nedgroup Inv Rainmaker A	9.70
Sasfin MET Equity A	9.56
Old Mutual Albaraka Equity A	9.54
Trillian IP FCF Equity A	9.36

Three-year period (annualised)

Fund	Ann Return
Fairtree MET Equity A1	19.17
Nedgroup Inv Private Wealth Equity A	18.90
Truffle MET General Equity A	17.41
Investec Equity R	17.39
36ONE MET Equity A	16.93
Old Mutual Investors R	16.04
SIM Top Choice Equity A1	16.02
Mazi Capital Prime Equity A1	15.93
Mergence Equity Prescient A1	15.92
Harvard House BCI Equity A	15.50
Momentum Top 25 A	15.50
27four Shari'ah Active Eq. Prescient A1	15.30
Marriott Dividend Growth R	15.00
IFM Technical	14.84
Old Mutual Managed Alpha Equity A	14.62
Aeon Enhanced Equity Prescient A	14.27
Sanlam Select Optimised Equity B4	14.13
SPW Equity A1	14.07
Prime General Equity B	14.03
Foord Equity R	14.01
PSG Equity A	13.95
SIM General Equity R	13.92
IP Equity	13.84
Imara MET Equity A	13.80
Investec Value R	13.79
Old Mutual Albaraka Equity A	13.71

Five-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	19.78
Mazi Capital Prime Equity A1	19.30
Harvard House BCI Equity A	18.11
Marriott Dividend Growth R	17.18
Foord Equity R	16.91
Truffle MET General Equity A	16.74
Sasfin MET Equity A	16.61
Imara MET Equity A	16.57
Investec Equity R	16.50
Melville Douglas STANLIB High Alpha A	16.31
Momentum Best Blend Specialist Eq A	16.07
Mergence Equity Prescient A1	15.98
STANLIB Equity R	15.92
Old Mutual Managed Alpha Equity A	15.82
Sanlam Select Optimised Equity B4	15.55
SIM Top Choice Equity A1	15.18
Stewart MET Macro Equity FoF A	15.07
IFM Technical	15.00
Old Mutual Investors R	14.97
PSG Equity A	14.85
Coronation Equity R	14.81

Seven-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	21.44
Foord Equity R	20.90
Harvard House BCI Equity A	20.53
PSG Equity A	20.33
Sasfin MET Equity A	20.16
Marriott Dividend Growth R	20.09
Imara MET Equity A	20.05
Momentum Best Blend Specialist Eq A	19.98
Coronation Equity R	19.61
Sanlam Select Optimised Equity B4	19.55
Old Mutual Managed Alpha Equity A	19.04
SIM General Equity R	18.85
Old Mutual Investors R	18.84
SIM Top Choice Equity A1	18.59
STANLIB Equity R	18.41
Coronation Top 20 A	18.14
Contego B6 MET Value Equity A	18.14
Investec Equity R	18.07
STANLIB MM All Stars Eq FoF B1	17.98

Ten-year period (annualised)

Fund	Ann Return
Nedgroup Inv Private Wealth Equity A	15.40
Coronation Top 20 A	14.70
Foord Equity R	14.38
Coronation Equity R	14.34
Prudential Dividend Maximiser A	13.98
Prudential Equity A	13.92
SIM General Equity R	13.74
Marriott Dividend Growth R	13.73
Allan Gray Equity A	13.64
ABSA Select Equity A	13.09
Old Mutual Managed Alpha Equity A	12.95
Nedgroup Inv Value R	12.83
Old Mutual Investors R	12.81
Sanlam Select Optimised Equity B4	12.76

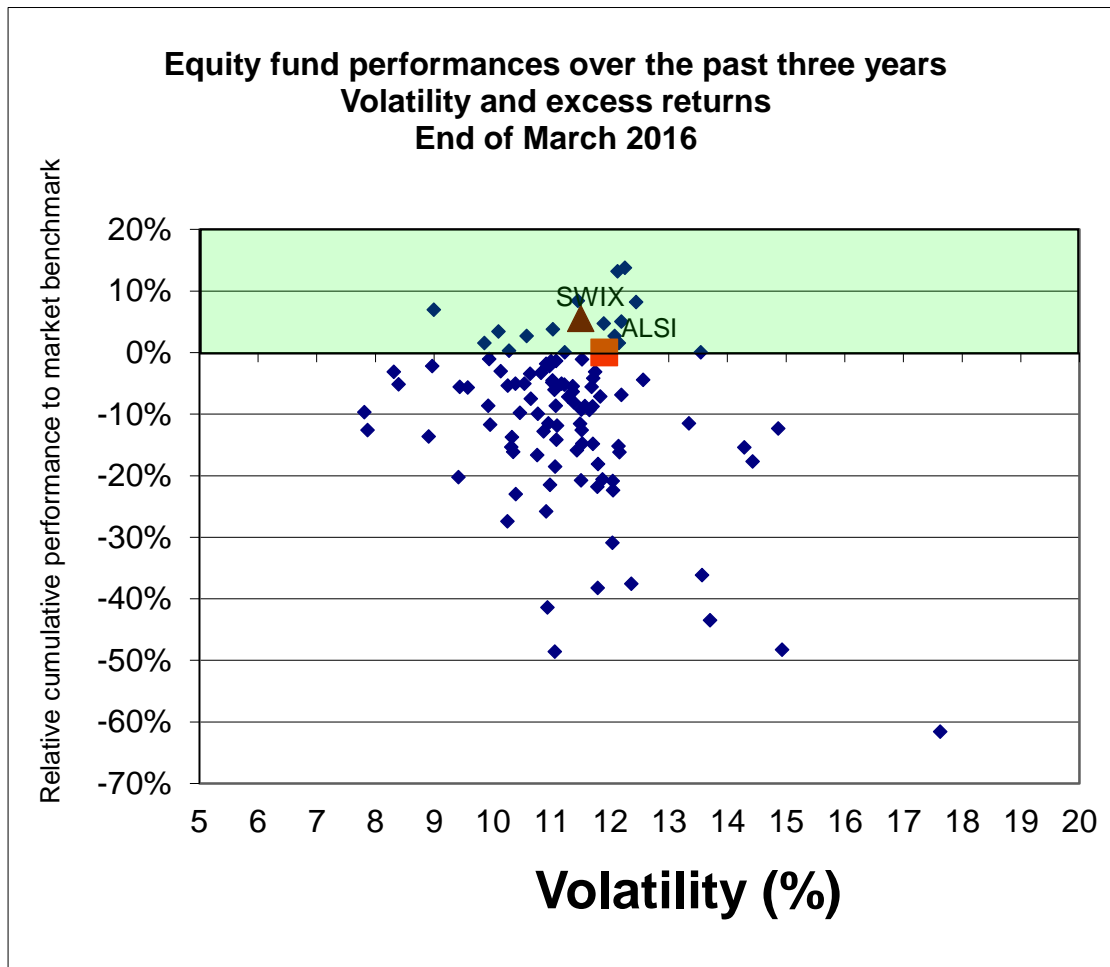
## 6. Persistence of Fund Performance (annualised returns)

Fund	10-year	7-year	5-year	3-year	2-year	1-year
Nedgroup Inv Private Wealth Equity A	15.4	21.4	19.8	18.9	13.8	5.1
Coronation Top 20 A	14.7	18.1	12.9	10.2	2.1	-1.8
Foord Equity R	14.4	20.9	16.9	14.0	8.2	0.7
Coronation Equity R	14.3	19.6	14.8	13.0	6.2	2.0
Prudential Dividend Maximiser A	14.0	17.3	13.9	12.9	7.1	2.2
Prudential Equity A	13.9	17.4	14.2	12.7	6.3	-0.3
SIM General Equity R	13.7	18.8	14.7	13.9	7.7	2.8
Marriott Dividend Growth R	13.7	20.1	17.2	15.0	14.2	2.1
Allan Gray Equity A	13.6	17.0	14.5	13.5	10.0	9.4
ABSA Select Equity A	13.1	15.4	10.6	8.4	3.9	-3.5
Old Mutual Managed Alpha Equity A	12.9	19.0	15.8	14.6	10.3	2.6
Nedgroup Inv Value R	12.8	17.2	11.7	10.1	6.5	2.5
Old Mutual Investors R	12.8	18.8	15.0	16.0	10.2	2.6
Sanlam Select Optimised Equity B4	12.8	19.6	15.6	14.1	8.7	0.8
Investec Equity R	12.7	18.1	16.5	17.4	14.6	5.5
Investec Active Quants A	12.5	17.9	13.9	12.1	6.0	-1.8
Nedgroup Inv Rainmaker A	12.4	16.7	12.7	13.7	9.7	4.2
Kagiso Equity Alpha A	12.4	16.4	10.2	9.0	1.8	0.4
Sasfin MET Equity A	12.4	20.2	16.6	13.1	9.6	4.3
IFM Technical	12.0	16.1	15.0	14.8	13.6	5.4
Efficient BCI Equity A	12.0	14.7	12.3	9.6	5.1	-0.6
PSG Equity A	11.8	20.3	14.9	13.9	5.0	-3.6
MI-PLAN IP Beta Equity B2	11.7	16.8	12.7	11.3	6.2	0.5
MET General Equity A	11.4	17.5	14.3	13.1	10.5	5.0
SIM Value R	11.3	16.2	10.5	8.3	1.4	-5.4
Old Mutual Growth R	11.2	15.8	10.1	11.6	5.4	0.7
STANLIB Equity R	11.2	18.4	15.9	12.9	9.1	5.2
Oasis General Equity D	11.1	14.0	9.9	7.5	0.6	-0.8
Old Mutual Top Companies R	10.9	16.3	10.9	12.5	6.0	1.2
Community Growth Equity	10.9	15.1	11.4	12.8	8.5	1.4
FG IP Mercury Equity FoF A1	10.6	16.5	12.9	10.2	7.1	0.5
Investec Value R	10.6	15.3	7.9	13.8	7.5	23.8
FNB Momentum Growth	10.5	17.1	12.1	11.8	8.0	2.3
Nedgroup Inv Growth R	10.5	16.2	10.2	10.4	4.4	-5.8
STANLIB Value A	10.4	14.4	9.8	7.3	3.2	4.8
STANLIB MM Equity B1	10.4	15.7	11.5	10.6	4.7	-1.6
Momentum Equity A	10.4	16.9	12.5	11.8	7.9	1.8
Momentum Best Blend Multifocus FoF A	10.0	15.8	11.5	10.4	4.7	-2.0
Inv Solutions Equity FoF A	10.0	14.6	10.8	10.8	4.7	6.0
Oasis Crescent Equity D	10.0	12.5	9.3	7.4	1.4	2.0
Maestro Equity Prescient A	9.9	14.9	12.6	12.5	7.3	-3.0
Old Mutual Multi-Managers Equity FoF A	9.8	14.4	10.0	10.5	6.1	-0.4
Old Mutual Albaraka Equity A	9.8	16.0	14.2	13.7	9.5	8.4
Sanlam Multi Mgd Equity FoF A	9.5	14.2	9.8	9.2	3.9	-1.8
PSG MM Equity FoF A	9.5	16.0	12.5	11.4	5.0	-0.4

<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>
STANLIB SA Equity R	9.4	17.1	13.1	9.2	5.3	0.2
Cadiz Mastermind A	8.2	12.6	5.1	0.7	-5.6	-9.1
Old Mutual High Yield Opp A	8.1	14.8	7.7	7.3	-0.1	-8.2
Sanlam Select Thematic Equity B10	7.4	10.0	5.2	8.6	5.9	-4.8
STANLIB Capital Growth R	7.2	12.9	8.1	2.5	-3.6	-7.3
Cannon MET Equity R	6.0	9.3	2.2	-1.5	-6.8	-5.6
Element Earth Equity A	5.9	6.8	1.7	-1.3	-5.3	-1.2
Element Islamic Equity A	5.5	5.6	1.1	0.1	-5.5	-3.6
Momentum Value A	5.0	7.0	-1.8	-6.6	-13.4	-0.7

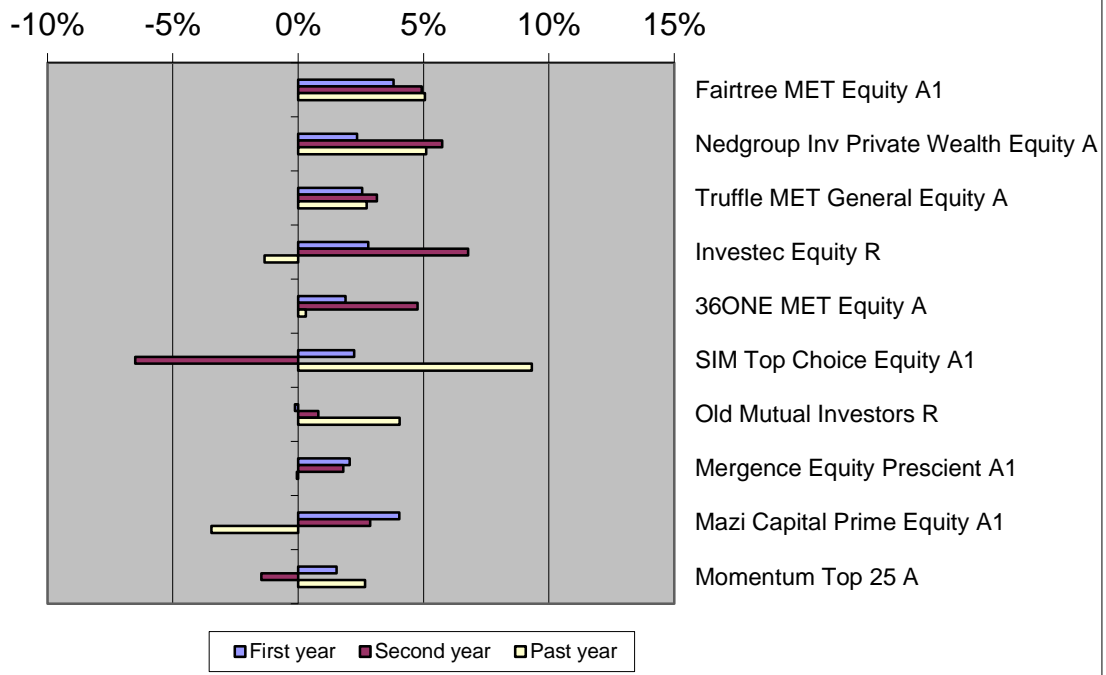
	<b>10-year</b>	<b>7-year</b>	<b>5-year</b>	<b>3-year</b>	<b>2-year</b>	<b>1-year</b>
ALSI INDEX BENCHMARK	13.1	17.7	13.6	12.8	7.7	3.2
SWIX INDEX BENCHMARK	13.8	19.0	15.4	14.6	9.9	2.7
Top quartile	12.8	18.0	14.7	13.7	9.2	4.0
Median	11.1	16.3	12.5	11.8	6.9	0.7
Bottom quartile	10.0	14.4	10.0	9.2	3.9	-1.8

## 7. Relative Fund Performance

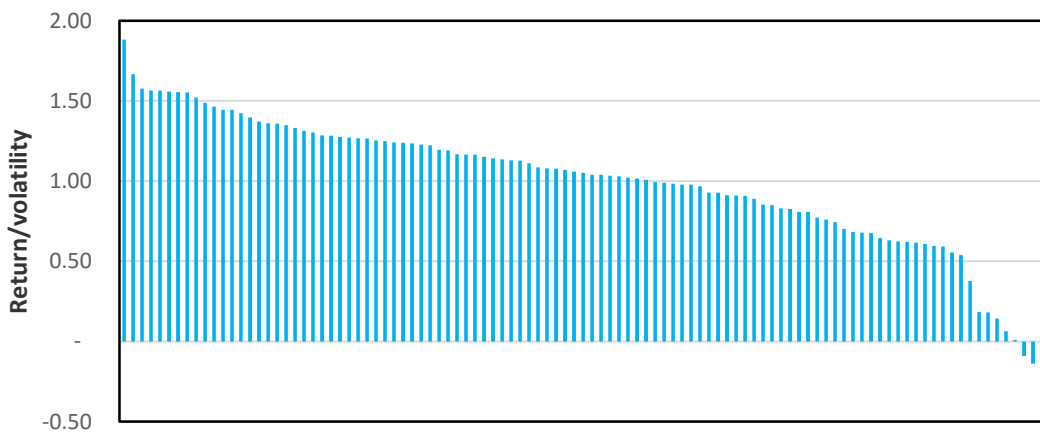




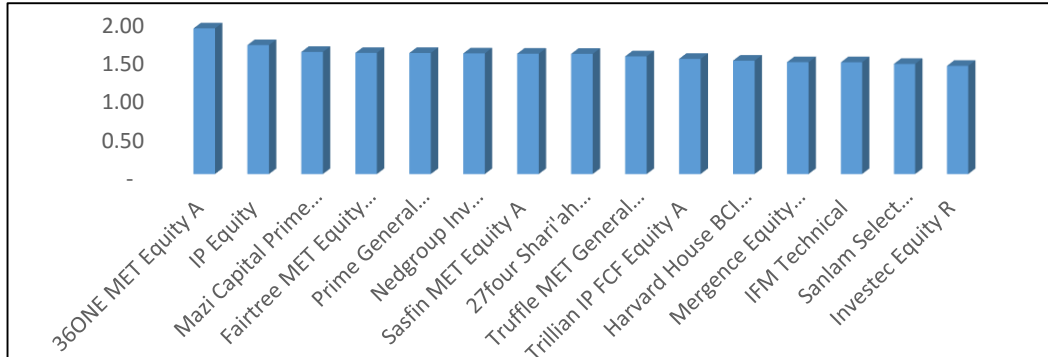
**Top-performing equity funds over the past three years**  
**Performance relative to SWIX benchmark**  
**March 2016**



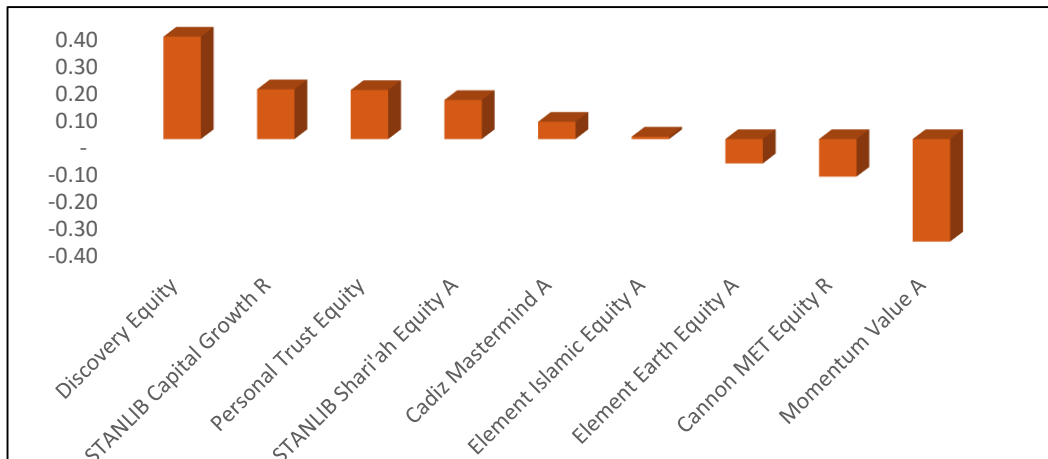
**Three-year return relative to price volatility**  
**March 2016**



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

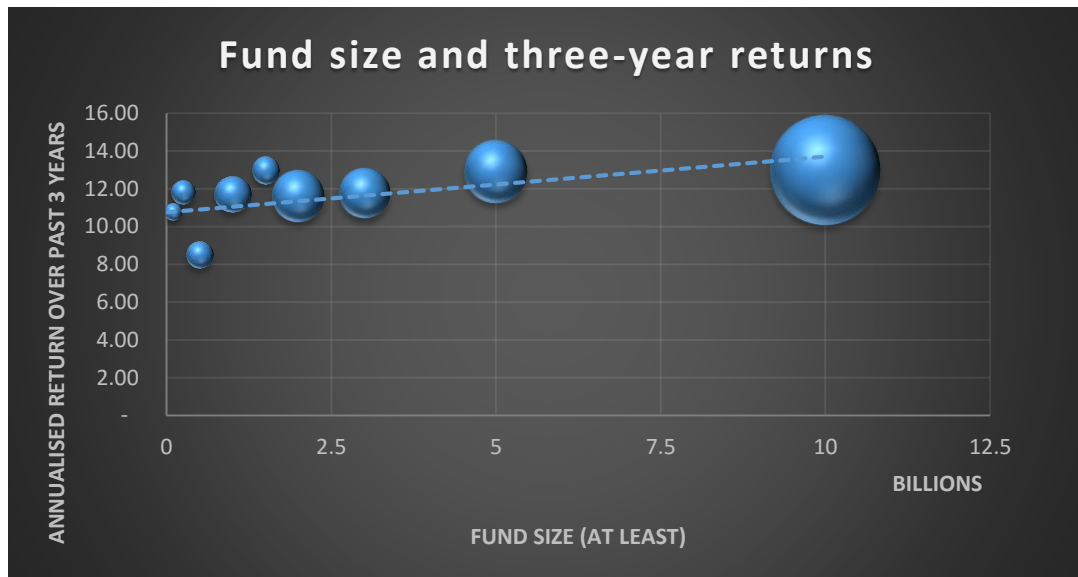


Worst-performing equity funds  
 Three-year return relative to price volatility  
 March 2016



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

Fund Size	Number of funds	Average ann return	Percentage of total assets
x >10,000m	6	13.00	48%
10,000m < x > 5,000m	5	12.93	16%
5,000m < x > 3,000m	6	11.77	10%
3,000m < x > 2,000m	10	11.60	11%
2,000m < x > 1,500m	4	13.00	3%
1,500m < x > 1,000m	10	11.73	5%
1,000m < x > 500m	10	8.50	3%
500m < x > 250m	14	11.83	2%
250m < x > 100m	17	10.79	1%
x < 100m	21	9.22	0%





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