

September 2014

The Quest for Alpha



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

Quarter ended September 2014

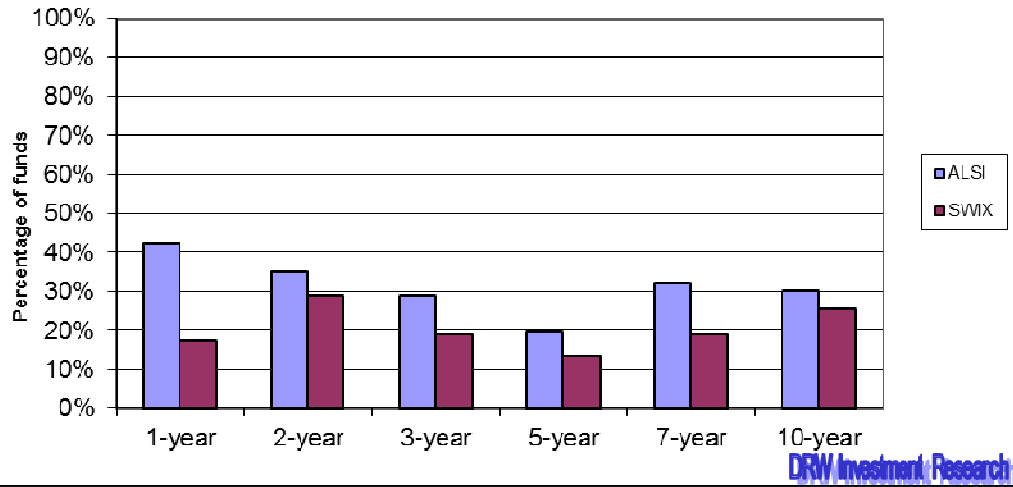
DRW Investment Research

1. Outperformance

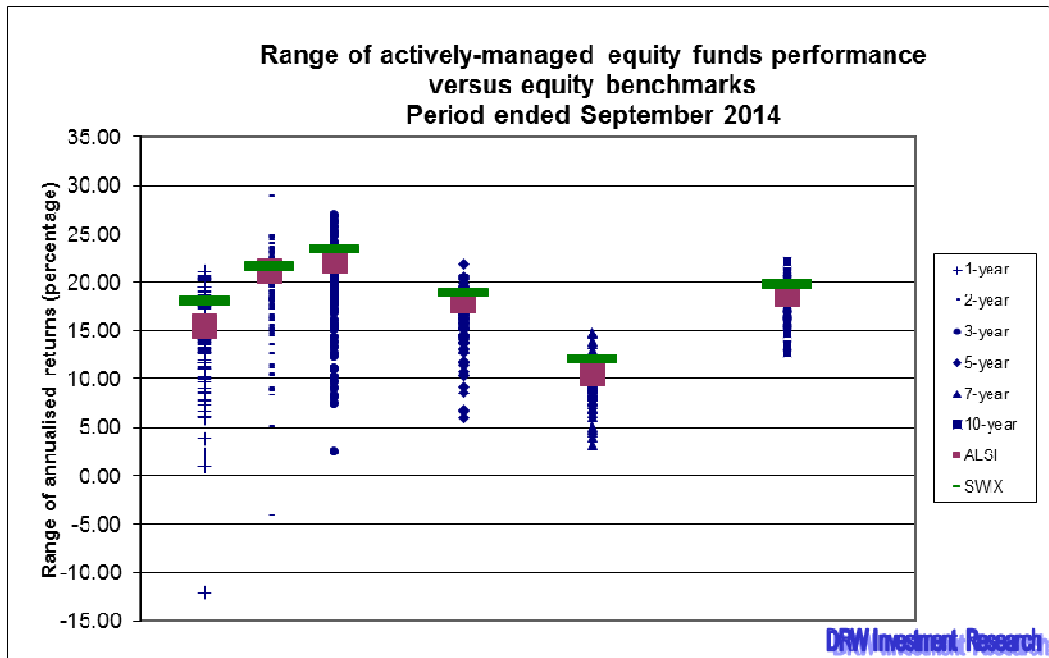
- 1) Only actively-managed equity funds are evaluated, thus index-tracker or passively-managed equity funds are excluded from the analysis.
- 2) The analysis does not account for *survivorship bias*, i.e. the performances of funds that ceased to exist in its original format or name are not part of the 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 September 2014** and were gratefully provided 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	120	100	90	81	68	43
Best performing fund	21.1%	28.9%	26.9%	21.8%	14.8%	22.1%
Worst performing fund	-12.1%	-4.1%	2.5%	6.0%	3.2%	12.7%
Top quartile	16.8%	21.9%	22.3%	17.6%	11.3%	19.2%
Median	15.0%	19.3%	19.9%	15.7%	9.2%	16.8%
Bottom quartile	12.8%	17.4%	17.8%	13.8%	8.2%	16.0%
Average fund performance	14.1%	18.7%	19.3%	15.4%	9.4%	17.5%
Benchmark: ALSI	15.4%	21.1%	22.2%	18.0%	10.6%	18.8%
% Funds outperforming ALSI	43%	35%	29%	20%	32%	30%
Benchmark: SWIX	18.0%	21.6%	23.3%	18.9%	12.0%	19.7%
% Funds outperforming SWIX	18%	29%	19%	14%	19%	26%

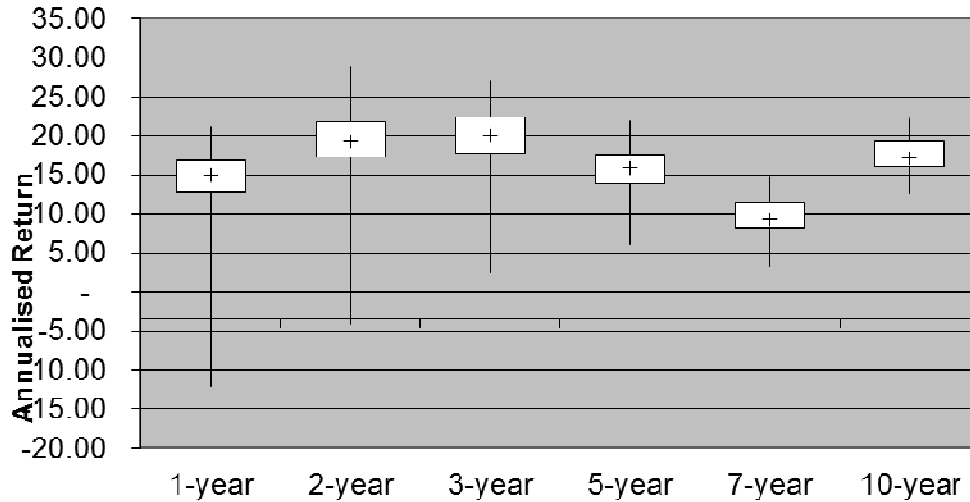
Percentage of actively-managed equity funds outperforming equity benchmarks
Period ended September 2014



2. Fund Performance Range

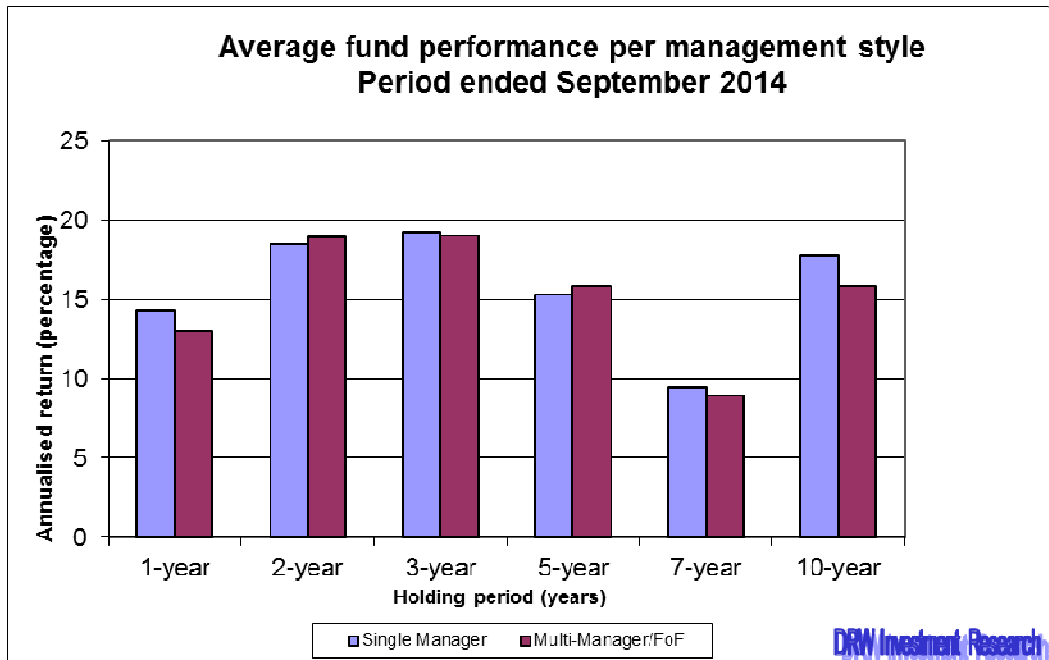


Equity funds performance range
Maximum, Top quartile, Median, Bottom quartile, Minimum
September 2014



Top of vertical line stretching 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. Index Investing: ETF and Index Tracker Unit Trust Performances

ETF performance sample	One-year	Two-year	Three-year	Five-year	Seven-year	Ten-year
RMB Top 40 Portfolio	14.9%	21.6%	22.0%	17.6%		
Satrix 40 Portfolio	13.7%	20.7%	21.4%	17.1%	9.6%	17.8%
Satrix SWIX Top 40 Portfolio	16.9%	21.7%	22.8%	18.1%	11.0%	
Stanlib Top 40	12.1%	19.5%	20.4%			
Stanlib Swix Top 40	14.5%	20.3%	21.9%			

Source: ETFSA,
Performance survey,
September 2014

Average actively-managed equity funds	14.1%	18.7%	19.3%	15.4%	9.4%	17.5%
Top quartile actively-managed equity funds	16.8%	21.9%	22.3%	17.6%	11.3%	19.2%
Median actively-managed equity fund	15.0%	19.3%	19.9%	15.7%	9.2%	16.8%
Bottom quartile actively-managed equity funds	12.8%	17.4%	17.8%	13.8%	8.2%	16.0%

Index Unit Trust Investments sample	One-year	Three-year	Five-year	Ten-year
Kagiso Top 40 Tracker Fund	14.3%	21.4%	17.0%	17.5%
Old Mutual Top 40 Fund	14.2%	21.2%	16.8%	16.8%
Momentum Top 40 Index Fund	14.4%	21.7%	16.7%	17.1%
Gryphon All Share Tracker Fund	15.0%	22.6%	17.8%	17.8%
Satrix ALSI Index Fund	14.6%	21.5%	17.4%	
Stanlib Index Fund	15.2%	22.0%	17.0%	18.0%

Source: ETFSA, Performance survey,
September 2014

Average actively-managed equity funds	14.1%	19.3%	15.4%	17.5%
Top quartile actively-managed equity funds	16.8%	22.3%	17.6%	19.2%
Median actively-managed equity fund	15.0%	19.9%	15.7%	16.8%
Bottom quartile actively-managed equity funds	12.8%	17.8%	13.8%	16.0%

5. Top Performing Equity Funds (Top Quartile Performers)

One-year period

Fund	Ann Return
Marriott Dividend Growth R	21.08
27four Shari'ah Active Eq. Prescient A1	20.63
PSG Equity A	20.44
Anchor BCI Equity A	20.40
Prescient Equity Income A1	20.39
Allan Gray Equity A	20.30
NFB ACi Equity B1	20.28
SIM Top Choice Equity A1	20.08
Indequity Technical	19.51
Discovery Dynamic Equity	19.50
Harvard House BCI Equity	19.46
Mergence Equity Prescient A1	19.12
Old Mutual Investors R	19.07
Seed Equity	18.75
Grindrod Equity Income Growth	18.73
Community Growth Equity	18.63
Trillian IP FCF Equity	18.48
Momentum Top 25 R	18.45
Melville Douglas High Alpha	18.39
SIM General Equity R	18.05
Investec Value R	18.03
Old Mutual Active Quant Equity A	17.92
Investec Active Quants A	17.59
Aeon Enhanced Equity Prescient A	17.51
Fairtree Equity Prescient A1	17.51
Prescient Eqty Active Quant A1	17.42
Foord Equity R	17.20
Ashburton SA Equity B1	16.83
Prudential Dividend Maximiser A	16.82
Prime General Equity B	16.82

Two-year period (annualised)

Fund	Ann Return
PSG Equity A	28.86
Fairtree Equity Prescient A1	24.79
SIM Top Choice Equity A1	24.77
Harvard House BCI Equity	24.63
36ONE MET Equity	24.56
27four Shari'ah Active Eq. Prescient A1	24.40
Foord Equity R	24.04
Coronation Equity R	24.03
Sasfin MET Equity A	23.66
SIM General Equity R	23.49
Ashburton SA Equity B1	23.48
Old Mutual Investors R	23.29
Mergence Equity Prescient A1	23.26
Momentum Top 25 R	23.08
Prudential Equity A	23.03
NeFG BCI Equity	22.96
Melville Douglas High Alpha	22.87
Indequity Technical	22.57
Momentum Best Blend Specialist Eq A	22.52
Old Mutual Active Quant Equity A	22.44
Prudential Dividend Maximiser A	22.40
NFB ACi Equity B1	22.33
PSG MM Equity FoF A	22.08
Investec Active Quants A	22.07
STANLIB Equity R	22.06
ABSA Large Cap	22.04
PSG Wealth Creator FoF D	21.85

Three-year period (annualised)

Fund	Ann Return
Harvard House BCI Equity	26.92
Mazi Capital MET Equity A1	26.67
Foord Equity R	26.26
Sasfin MET Equity A	26.24
PSG Equity A	25.71
Momentum Best Blend Specialist Eq A	25.25
Old Mutual Active Quant Equity A	25.24
Melville Douglas High Alpha	25.13
SIM Top Choice Equity A1	24.70
Coronation Equity R	24.16
STANLIB Equity R	23.94
SIM General Equity R	23.74
Prudential Equity A	23.73
Old Mutual Investors R	23.72
Aeon Enhanced Equity Prescient A	23.43
Imara MET Equity	23.41
Mergence Equity Prescient A1	23.31
Investec Active Quants A	23.02
Prudential Dividend Maximiser A	22.76
Truffle General Equity A	22.74
MET General Equity	22.62
Coronation Top 20 A	22.45
Capstone BCI Equity	22.40
STANLIB SA Equity R	22.36
Stewart MET Macro Equity FoF A	22.27

Five-year period (annualised)

Fund	Ann Return
Foord Equity R	21.83
Momentum Best Blend Specialist Eq A	20.67
PSG Equity A	20.51
Sasfin MET Equity A	20.39
Harvard House BCI Equity	20.22
Coronation Equity R	19.90
STANLIB Equity R	19.64
Marriott Dividend Growth R	19.53
Imara MET Equity	19.48
Old Mutual Active Quant Equity A	19.07
Investec Active Quants A	18.92
Coronation Top 20 A	18.77
Prudential Equity A	18.67
SIM General Equity R	18.63
STANLIB SA Equity R	18.32
SIM Top Choice Equity A1	18.09
Prudential Dividend Maximiser A	17.91
Stewart MET Macro Equity FoF A	17.84
STANLIB MM All Stars Eq FoF A	17.68
Old Mutual Investors R	17.66
PSG Wealth Creator FoF D	17.65
Allan Gray Equity A	17.61

Seven-year period (annualised)

Fund	Ann Return
Coronation Top 20 A	14.77
Marriott Dividend Growth R	14.67
Foord Equity R	13.88
Coronation Equity R	13.67
Momentum Best Blend Specialist Eq A	13.10
Prudential Dividend Maximiser A	12.95
Aylett Equity Prescient A3	12.62
Prudential Equity A	12.62
ABSA Select Equity	12.51
SIM Top Choice Equity A1	12.41
SIM General Equity R	12.33
ABSA Large Cap	12.24
Allan Gray Equity A	12.06
Nedgroup Inv Value R	11.95
Investec Active Quants A	11.94
PSG Equity A	11.91
Harvard House BCI Equity	11.87
Old Mutual Active Quant Equity A	11.45

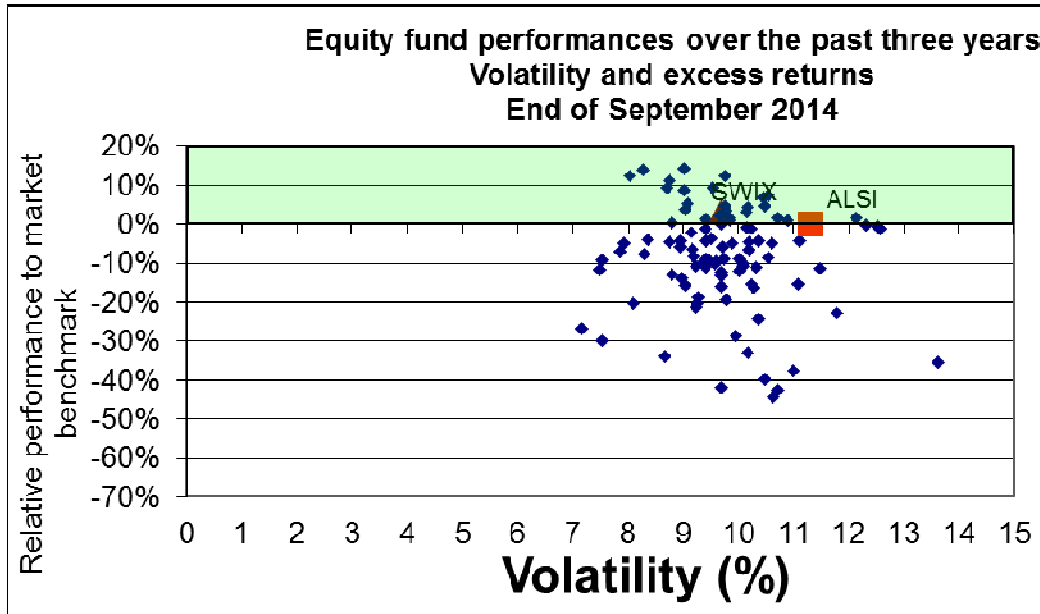
Ten-year period (annualised)

Fund	Ann Return
Coronation Top 20 A	22.14
Prudential Equity A	21.12
Foord Equity R	21.01
Prudential Dividend Maximiser A	20.89
Coronation Equity R	20.60
Kagiso Equity Alpha	20.50
ABSA Select Equity	20.27
ABSA Large Cap	20.23
SIM Value R	20.10
SIM General Equity R	19.88
Allan Gray Equity A	19.73
PSG Equity A	19.36

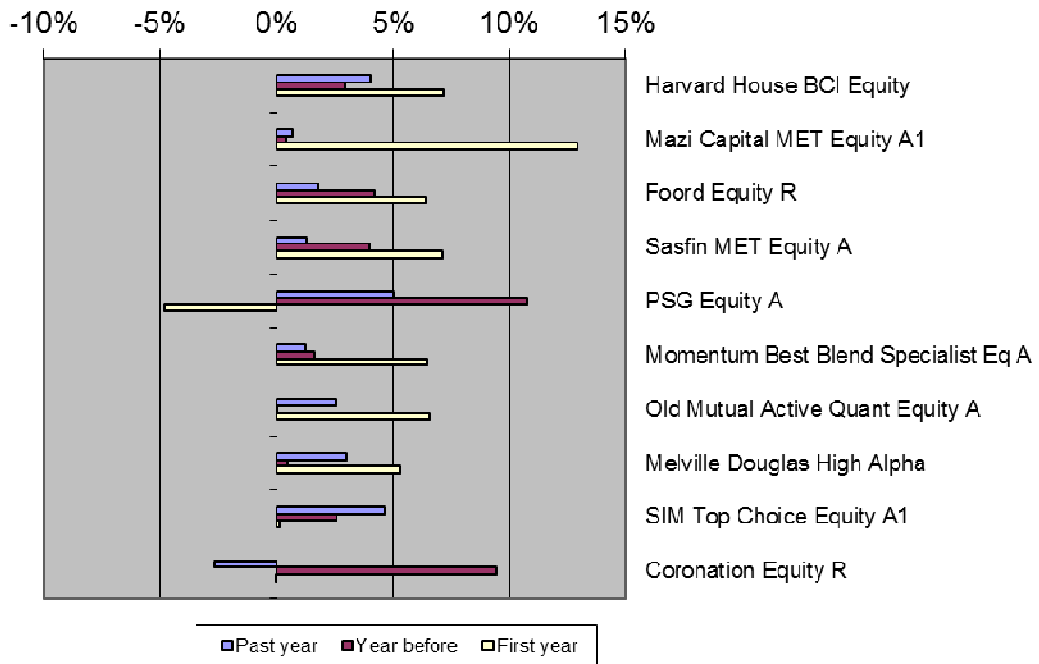
6. Persistence of Fund Performance (annualised returns)

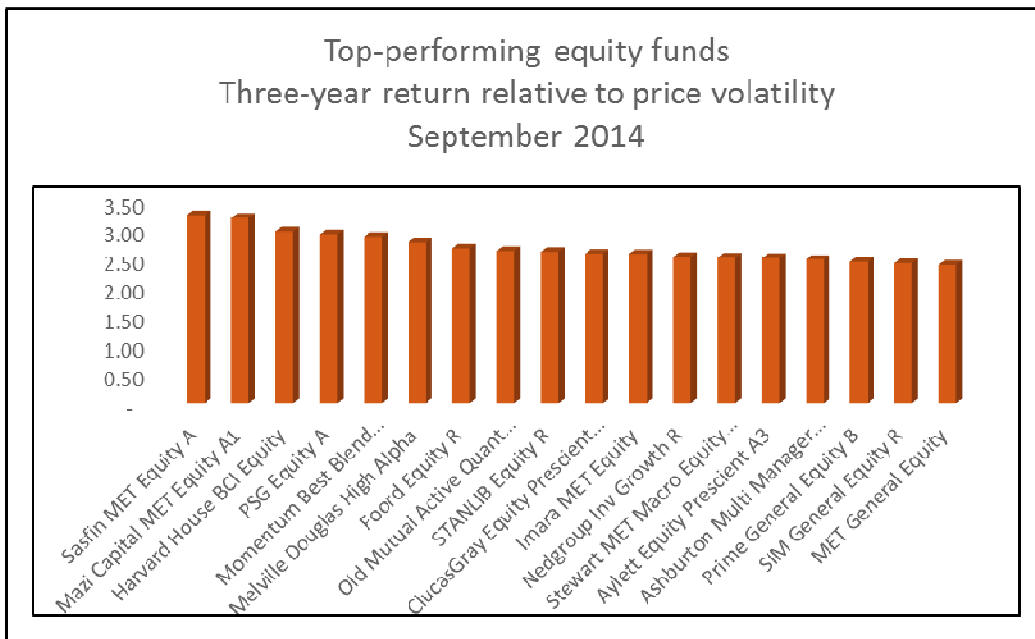
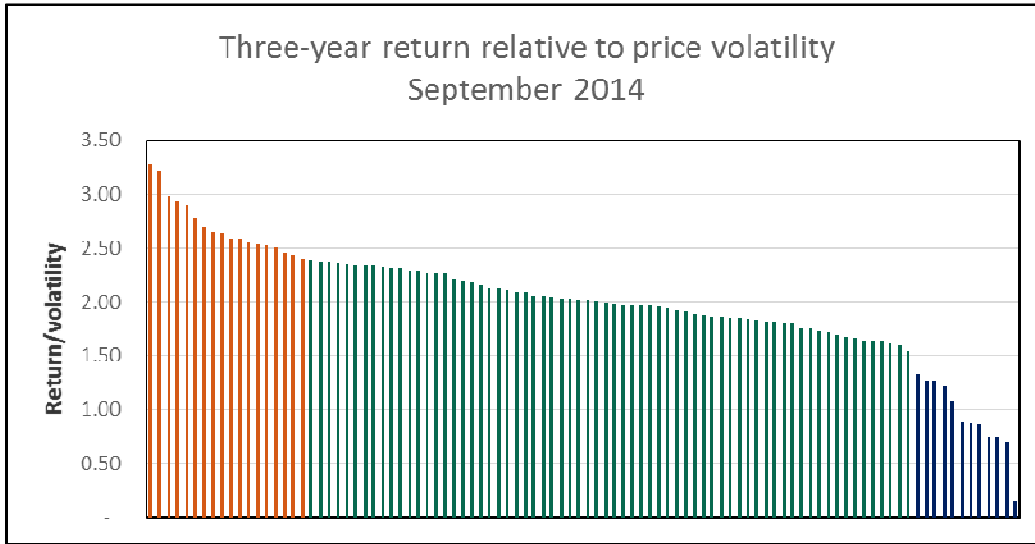
Fund	10-year	7-year	5-year	3-year	2-year	1-year
Coronation Top 20 A	22.1	14.8	18.8	22.5	21.2	9.6
Prudential Equity A	21.1	12.6	18.7	23.7	23.0	16.5
Foord Equity R	21.0	13.9	21.8	26.3	24.0	17.2
Prudential Dividend Maximiser A	20.9	13.0	17.9	22.8	22.4	16.8
Coronation Equity R	20.6	13.7	19.9	24.2	24.0	12.7
Kagiso Equity Alpha	20.5	11.3	16.5	18.1	19.1	11.1
ABSA Select Equity	20.3	12.5	16.2	19.0	17.2	14.9
ABSA Large Cap	20.2	12.2	17.3	22.0	22.0	15.7
SIM Value R	20.1	11.2	16.2	20.1	19.8	14.3
SIM General Equity R	19.9	12.3	18.6	23.7	23.5	18.0
Allan Gray Equity A	19.7	12.1	17.6	20.8	21.5	20.3
PSG Equity A	19.4	11.9	20.5	25.7	28.9	20.4
Nedgroup Inv Value R	19.1	12.0	16.4	18.1	14.8	11.9
Marriott Dividend Growth R	18.6	14.7	19.5	21.9	18.7	21.1
Old Mutual Active Quant Equity A	18.4	11.4	19.1	25.2	22.4	17.9
Nedgroup Inv Rainmaker A	18.4	10.3	15.6	18.8	18.2	16.3
Nedgroup Inv Growth R	18.3	9.0	16.2	19.1	20.0	14.7
Old Mutual Investors R	18.0	11.1	17.7	23.7	23.3	19.1
Prescient Equity Quant A1	18.0	10.0	17.4	22.1	21.4	15.0
STANLIB ALSI 40 A	17.5	9.6	16.9	21.8	21.1	14.7
Oasis General Equity D	17.5	9.7	15.3	19.3	18.7	15.0
Investec Equity R	17.3	9.3	16.7	20.8	19.0	14.4
Old Mutual Growth R	17.3	9.4	14.3	18.5	19.1	15.6
Nedgroup Inv Core Eq A	16.9	9.3	14.5	17.2	16.5	13.2
Momentum Equity R	16.8	9.3	16.0	20.1	18.5	15.9
Old Mutual Top Companies R	16.7	9.8	15.2	19.1	19.8	16.5
Investec Value R	16.6	8.4	11.5	10.2	16.1	18.0
STANLIB Equity R	16.6	9.0	19.6	23.9	22.1	16.4
MET General Equity	16.6	9.5	16.1	22.6	19.5	16.4
Community Growth Equity	16.5	8.2	13.7	19.3	19.5	18.6
FNB Momentum Growth	16.5	9.2	15.9	18.7	18.1	15.6
PSG MM Equity FoF A	16.1	8.7	16.7	21.0	22.1	14.6
Oasis Crescent Equity D	16.1	7.4	13.8	17.9	18.4	13.8
Momentum Best Blend Multifocus FoF A	16.1	9.1	15.7	20.0	20.1	15.3
STANLIB Value A	16.0	6.5	11.7	13.8	10.5	2.3
STANLIB Capital Growth R	15.9	4.8	14.1	19.1	15.0	7.8
SMMI Equity FoF A	15.9	8.5	14.2	17.8	18.7	14.3
Inv Solutions Equity FoF A	15.9	8.5	14.4	16.8	18.3	13.2
Old Mutual High Yield Opp A	15.7	8.6	14.6	17.0	18.0	15.1
STANLIB MM Equity A1	15.7	8.6	15.2	19.1	18.2	13.2
STANLIB SA Equity R	15.7	7.0	18.3	22.4	18.1	12.8
Old Mutual SYmmETRY Equity FoF A	15.5	7.8	13.1	16.0	16.0	14.1
Old Mutual Albaraka Equity	14.6	6.1	15.3	19.7	17.5	13.5
Personal Trust High Yield Growth	13.5	7.7	13.2	13.3	11.1	9.1
Element Earth Equity A	13.4	4.8	6.6	7.4	5.1	6.0
Momentum Value A	12.7	3.2	6.0	2.5	-4.1	-12.1
ALSI	18.8	10.6	18.0	22.2	21.1	15.4
SWIX	19.7	12.0	18.9	23.3	21.6	18.0

7. Volatility and Fund Performance (annualised returns)

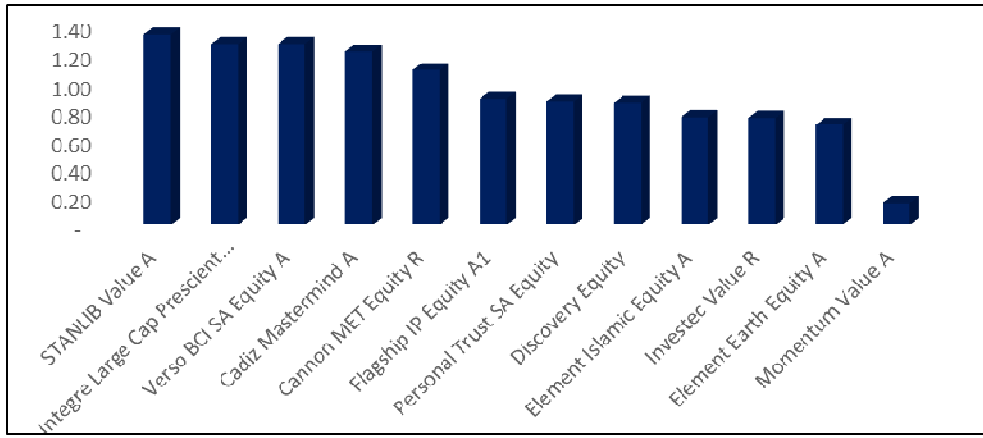


Top-performing equity funds over the past three years
Performance relative to ALSI benchmark





Worst-performing equity funds
Three-year return relative to price volatility
September 2014





Investment Research

Disclaimer:

Please note that all the material, opinions and views herein do not constitute investment advice, but are published primarily for information purposes. The author accepts no responsibility for investors using the information as investment advice. Please consult an authorised investment advisor.

Unless otherwise stated, the author is the sole proprietor of this publication and its content. No quotations from or references to this publication are allowed without prior approval.