

## Summary: PlexCrown Unit Trust Survey: Fourth Quarter 2016

Summary of retail rand-denominated unit trust and FSB-approved foreign collective investment scheme returns, fund ratings and management company ratings for the quarter ended 31 December 2016

*The PlexCrown survey was done in collaboration with ProfileData and based on return data provided by ProfileData and market data by I-Net BFA.*

### Domestic (rand-denominated) fund returns and ratings

Blue Quadrant MET Worldwide Flexible Fund A was the best-performing fund in the final quarter of 2016 with a return of 14.72% with income distributions reinvested, and was followed by Discovery Global Value Equity Feeder Fund A and Momentum Small Mid-Cap Fund A with returns of 11.46% and 9.00% respectively. Coronation Resources Fund P was the best-performing fund over one year with a total return of 64.13%, income distributions reinvested. Prescient China Balanced Feeder Fund A1 and Absa Property Equity Fund A topped the charts over three years. Old Mutual Global Equity Fund A was the leading fund over five years. Absa Property Equity Fund A was the best-performing fund over ten years, followed by Coronation Industrial Fund.

3 months to 31 December 2016		
Best	Subcategory	
Blue Quadrant MET Worldwide Flexible Fund A	Worldwide--Multi Asset--Flexible	14.72%
Discovery Global Value Equity Feeder Fund A	Global--Equity--General	11.46%
Momentum Small Mid-Cap Fund A	South African--Equity--Mid and Small Cap	9.00%
Third Circle MET Target Return Fund A	South African--Multi Asset--Flexible	8.59%
Sanlam Global Equity Fund A	Global--Equity--General	7.43%
12 months to 31 December 2016		
Best	Subcategory	
Coronation Resources Fund P	South African--Equity--Resource	64.13%
Investec Value Fund A	South African--Equity--General	60.30%
Argon BCI Worldwide Flexible Fund A	Worldwide--Multi Asset--Flexible	46.71%
Old Mutual Mining and Resources Fund A	South African--Equity--Resource	44.02%
RECM Equity Fund B	South African--Equity--General	43.04%
3 years to 31 December 2016		
Best	Subcategory	
Absa Property Equity Fund A	South African--Real Estate--General	25.08%
Prescient China Balanced Feeder Fund A1	Worldwide--Multi Asset--Flexible	22.91%
Plexus Wealth BCI Property Fund A	South African--Real Estate--General	20.44%
CoreShares PropTrax Ten	South African--Real Estate--General	18.05%
db x-trackers MSCI USA Index ETF	Regional--Equity--General	17.31%
5 years to 31 December 2016		
Best	Subcategory	
Old Mutual Global Equity Fund A	Global--Equity--General	26.42%
db x-trackers MSCI USA Index ETF	Regional--Equity--General	25.67%
Allan Gray-Orbis Global Equity Feeder Fund A	Global--Equity--General	25.08%
Absa Property Equity Fund A	South African--Real Estate--General	23.35%

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Absa Global Value Feeder Fund A	Global--Equity--General	22.05%
<b>10 years to 31 December 2016</b>		
<b>Best</b>	<b>Subcategory</b>	
Absa Property Equity Fund A	South African--Real Estate--General	17.72%
Coronation Industrial Fund P	South African--Equity--Industrial	15.96%
Catalyst SA Property Equity Prescient Fund A	South African--Real Estate--General	15.86%
Satrix INDI Portfolio A	South African--Equity--Industrial	15.83%
Investment Solutions Property Equity Fund A	South African--Real Estate--General	15.33%

At the end of December 2016, 532 funds were rated compared to 534 funds at the end of September 2016. Fifteen funds were rated for the first time while seventeen lost their ratings. The ratings of 391 (75%) of the funds were unchanged, while 122 (24%) of the funds experienced minor rating changes. One fund received a major upgrade while three funds received major downgrades.

### Leading domestic management companies

Allan Gray retained its position as the leading domestic CIS management company at the end of December 2016. Allan Gray's overall rating decreased to 4.393 PlexCrowns from 4.636 in the third quarter. The investment house's top rating continued to be underscored by solid investment proficiencies across all the broad asset classes. Allan Gray shared the third spot in the broad South African Interest Bearing & Income category with 4.000 PlexCrowns. The company shared the second place in the broad South African Equity & Real Estate category with 4.000 PlexCrowns and had the highest ranking in the broad Global & Worldwide category with 4.911 PlexCrowns. Allan Gray had the second-highest ranking in the broad South African Multi-asset Non-Income category with 4.734 PlexCrowns. Six (75%) of Allan Gray's eight rated funds had above-average ratings of 4 or more PlexCrowns, while three funds achieved 5 PlexCrowns, namely Allan Gray-Orbis Global Fund of Funds A, Allan Gray-Orbis Global Equity Feeder Fund A and Allan Gray Balanced Fund A. Allan Gray-Orbis Global Fund of Funds A was the top-rated fund in the Global--Multi Asset--High Equity subcategory while Allan Gray-Orbis Global Equity Feeder Fund A was runner-up in the Global--Equity--General subcategory.

PSG was runner-up to Allan Gray for the second consecutive quarter. PSG's overall rating jumped to 4.276 from 3.875 PlexCrowns at the end of September 2016. This was mainly attributable to improved ratings of PSG Equity Fund A, PSG Balanced Fund A and PSG Stable Fund A. The funds under the PSG Wealth umbrella lost their ratings due to the fact that the PSG Wealth funds are only available to the public to invest in through a PSG Wealth adviser. PSG was the leading CIS management company in the broad South African Equity & Real Estate category as well as the South African Multi-asset Non-income category with ratings of 5.000 PlexCrowns in both categories. The investment house had the fifth-highest rating in the broad South African Interest-bearing & Income category with a rating of 3.904. PSG's rating was, however, diluted by a rating of 2.000 PlexCrowns in the broad Global & Worldwide category. Five (71%) of PSG's 7 rated funds had above-average ratings of 4 or more PlexCrowns. PSG Equity Fund A, PSG Flexible Fund A, PSG Balanced Fund A and PSG Stable Fund A achieved rating of 5 PlexCrowns while PSG Balanced Fund A was the leading fund in the South African--Multi Asset--High Equity subcategory.

Nedgroup Investments had the third-highest overall management company rating in the fourth quarter. The investment house's rating declined slightly to 3.739 PlexCrowns from 3.790 at the end of the third quarter of 2016. The investment house had the third-highest rating in the Global & Worldwide category with 4.348 PlexCrowns and had the fourth-highest ranking in the broad South African Multi-asset Non-Income category with 4.167 PlexCrowns. Nedgroup Investments also had the ninth-highest rating in the broad South African Equity & Real Estate with 3.466 PlexCrowns.

Thirteen (65%) of Nedgroup Investments' 20 rated funds had above-average ratings of 4 or more PlexCrowns, while nine funds achieved 5 PlexCrowns, namely Nedgroup Investments Global Flexible Feeder Fund A, Nedgroup Investments Financials Fund A, NGI Private Wealth Equity Fund A, Nedgroup Investments Entrepreneur Fund A, Nedgroup Investments Core Diversified Fund B, Nedgroup Investments Flexible Income Fund A, Nedgroup Investments Core Guarded Fund B, Nedgroup Investments Bravata Worldwide Flexible Fund A and Nedgroup Investments Opportunity Fund A. Five of the investment house's funds had the highest rank in

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their respective subcategories: Nedgroup Investments Global Flexible Feeder Fund A, Nedgroup Investments Entrepreneur Fund, NGI Private Wealth Equity Fund A, Nedgroup Investments Opportunity Fund A and Nedgroup Investments Financials Fund. Three of the house's funds were runners-up in their respective subcategories, namely Nedgroup Investments Global Cautious Feeder Fund A, Nedgroup Investments Bravata Worldwide Flexible Fund A and Nedgroup Investments Flexible Income Fund A.

### Foreign fund (FSB-approved FCIS) returns and ratings

Investec GSF Global Value Equity Fund Acc was the best-performing FSB-approved offshore fund in the past quarter with a return of 8.71% in SA rand with income reinvested. Contrarius Global Equity Fund (Ireland) was the top performer over one year while Franklin India Fund was the leading fund over three years. Franklin Biotechnology Discovery Fund was the leading fund over five and ten years.

At the end of December 2016, 125 FSB-approved foreign funds were rated compared to 128 at the end of September 2016. The ratings of 86 (69%) of the funds were unchanged, while 31% of the funds experienced minor rating changes. No fund received a major rating change.

### Leading Foreign Collective Investment Scheme (FCIS) management companies

ACPI maintained its position as the leading FCIS management company in the fourth quarter of 2016 with an overall rating of 4.500 PlexCrowns. ACPI shared the top spot with Contrarius in the broad Offshore Asset Allocation category with 5.000 PlexCrowns and had the highest rating in the broad Offshore Fixed Interest category. Four of ACPI's five rated funds had above-average ratings of 4 or more PlexCrowns, while Rubrics Global Credit UCITS Fund was the leading fund in the Global Fixed Interest Bond category.

Nedgroup Investments had the second-highest FCIS management company in the fourth quarter of 2016 with an overall rating of 4.250 PlexCrowns. The investment house had the third-highest rating in the broad Offshore Asset Allocation category with 4.500 PlexCrowns and shared the fourth-highest rating in the broad Equity & Real Estate category with 4.000 PlexCrowns. Nedgroup Investments Global Flexible Fund was the leading fund in the Global Asset Allocation Flexible category.

Oasis and PineBridge shared the third-highest FCIS management company rating of 3.750 PlexCrowns in the fourth quarter of 2016. Oasis shared the fourth spot with Marriott in the broad Offshore Asset Allocation category with 4.000 PlexCrowns while PineBridge had the third-highest rating in the broad Offshore Equity & Real Estate category with 4.500 PlexCrowns.

### How to use the ratings

Selecting an investment vehicle from all funds available to investors is not a mechanical process. It combines art and science, judgment and analysis. However, in this process all available information needs careful consideration. As the ratings are based on historical data, they are not necessarily indications of future performances. The ratings are intended for use as a step in the evaluation process for investors as various factors such as investment goals, risk tolerance, costs and administration efficiencies should be taken into consideration in the selection of unit trusts.

Lowly rated funds should not summarily be discarded. A lowly rated fund may have great prospects due to a change of portfolio manager or a change in the investment process of the investment house. The fund's assets may have been strategically aligned with the investment house's philosophy and style and this strategy may have led to underperformance. Do not blindly select highly rated funds. Use all available tools to track and research the performance of the fund and investment house. The highly rated fund's future prospects may be in jeopardy due to a change of portfolio manager or merger of management companies or a downward trend in the overall investment performance of the investment house.

Do not ignore funds that have not yet been rated due to a lack of performance history. The portfolio manager or investment house responsible for the management of the fund's assets may have an excellent record of superior performance and there is no reason why the fund should not eventually achieve a top rating.

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If a fund's rating has dropped significantly you should research what has caused it. Has the portfolio manager of the fund changed? Is he taking on bigger risks than in the past? Has the fund experienced such an inflow that the portfolio manager's ability to manoeuvre has diminished? Is this the only fund in the investment house's fold that is underperforming? If not, has there been a major change in the investment team's investment process? Is the management company concerned about it and what steps are being taken?

Whatever supplementary considerations an investor may wish to introduce in his/her investment decision methodology, it would probably be unwise to ignore the information contained in the historical rankings of funds or management companies as point of departure.



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