

Guiding the retail investor

SA's collective investment industry gathers to acknowledge and celebrate the top performing unit trusts and asset management houses

← **Gareth Stokes**

At 30 September 2010 the local collective investments industry managed R879 billion across 937 individual unit trusts funds. Almost two thirds of this total, some R527 billion, was invested in retail funds – the funds you and I can purchase “off the shelf” online, or with assistance from a financial planner or banker. For the most part local investors stick with domestic funds where they can choose from a wide range of asset management houses and products in the equity, asset allocation, real estate and fixed interest sub-categories.

“With such a staggering selection available investors must be clear on their goals and objectives before selecting a fund,” says Jeanette Marais, Director of Distribution and Client Services, Allan Gray. She says abundant choice doesn’t necessarily translate to better decision making. And that’s why Allan Gray’s present consumers with limited offering comprising only nine unit trusts.

But those investors willing to run the gauntlet of the 900-plus unit trust funds will have to find more creative ways to shortlist their preferred investments. One way to ensure you invest with the “elite” of the fund manager universe is to consider the results of the annual Personal Finance/Plexus/Profile Data Raging Bull Awards ceremony, held in Johannesburg recently. The awards reward the asset managers behind the top performing unit trust funds, both on an outright and risk-adjusted performance basis, and across a number of categories.

Investors can easily discern the asset managers with multiple awards and certificates – as well as the “brands” pulling off multiple annual victories.

The industry loves the awards. “The Raging Bull awards are independent and determined based on a set methodology,” says Marais. “They acknowledge the investment managers that have outperformed their peers, and – because funds must show a five-year history to qualify – affirm the importance of a long-term track record to potential investors.” Allan Gray performed admirably to 31 December 2010, winning the coveted Domestic Management Company of the Year title. They also scooped a Raging Bull award for the best foreign (SA domiciled) equity fund with their Allan Gray-Orbis Global Equity Feeder Fund and three Raging Bull certificates to boot.

Coronation Fund Managers put in a strong showing too, with three Raging Bull certificates for best performing unit trust (over three years) in the industrial, financial and low risk asset allocation categories. “We continue to focus on creating long-term wealth for all our clients by offering a simple and understandable fund range with clear objectives, well-defined risk budgets, and a common DNA,” says Pieter Koekemoer, Coronation Fund Managers head of personal investments. The group firmly believes the asset allocation decision is a key component of long-term investment return, with four of its five “core” domestic funds mandated to invest across asset classes.

Dave Christie, Head of Distribution at Ashburton, was coming off a high after the manager’s Replica Euro Asset Management Fund walked



Bruce Cameron (left), the editor of Personal Finance, with Prieur du Plessis, the chairman of Plexus, Dave Christie of Ashburton, and Ryk de Klerk, a director of PlexCrown Fund Ratings. Christie received the Raging Bull Award for the Ashburton Replica Euro Asset Management Fund, the best offshore global asset allocation fund on a risk-adjusted basis over five years to December 31 2010. Photo: Personal Finance

away with top honours for the Offshore Global Asset Allocation Fund for the third year running. The unit trust emerged ahead of 18 peers as the top-performing risk-adjusted offshore asset allocation fund over five years. “The Raging Bull awards are closely followed by the investment community,” says Christie. “Asset managers covet the awards in recognition of a job well done – it’s not about distribution or product design – but about the nuts-and-bolts of our business – investment return!”

John Green, director of global business development at Investec Asset Management believes independent awards are extremely important in the highly competitive unit trust space. The group clinched the coveted Offshore Management Company of the Year 2010 title. “We take the long-term group awards very

seriously and make a point of being in a position to compete for them,” says Green. “These awards assess the capability of an investment house to provide good investment skill to the market across a broad product range – a very good indicator for anybody that’s thinking about investing.”

Green welcomed the decision to extend certain of the unit trust performance timeframes to five years, and added it would only be a matter of time before the award organisers extended the period of assessment to a full decade. His view echoes that of many financial advisers and investment professionals who stress the importance of investing for the long-term to achieve stated financial planning objectives. “If you’re prepared to invest for five years there’s a much better chance the asset house can achieve your objective within the spe-

cific funds’ mandate,” adds Christie.

There’s nothing wrong with an asset manager trumpeting their Award successes – and many choose to do so. Investors are still best served by carefully researching the available unit trust products and matching these to their specific needs. “You must consider your time horizon, return objectives and ability to stomach risk and uncertainty – the typical ups and downs in returns over different time periods,” says Marais.

Each of the industry stakeholders we spoke to warned against basing investment decisions on ranking tables or competition results. The decision to back this quarter (or year’s) winner when investing funds is a popular but patently flawed investment technique! “We caution our clients against focusing on short-term performance,” says Green.

To qualify for a Raging Bull Award, a fund must:

- Be open to retail investors.
- In the case of an award made on the basis of straight performance, be in a domestic unit trust sub-category (including South African-domiciled foreign funds) that has at least five actively managed funds with histories of three years or more.
- In the case of an award made to a foreign-domiciled (non-rand-denominated) fund on the basis of straight performance, be in a sub-category that has at least seven actively managed funds with histories of three years or more.
- In the case of an award made on the basis of risk-adjusted returns, be in a major asset allocation sub-category, or in one of the other larger sub-categories. Sub-categories that have at least five actively managed funds with histories of five years or more are included in the awards.
- Not be a passive, or an index-tracker, fund.
- Not be a money market fund.
- Not be in a varied specialist sub-category or in the domestic asset allocation targeted absolute and real return sub-category where mandates differ widely.
- Not have changed sub-categories during the past year.
- In the case of offshore funds, have been registered with the Financial Services Board for at least a year. — Source: www.perafin.co.za