

Analysing balanced funds vs flexible funds' performance: The impact of pension fund investing restrictions

**I Viljoen
24011843**

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Supervisor: Prof Pieter Buys

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Ms Wilma Pretorius

PO Box 5206

Potchefstroom

2523

November 2015

To whom it may concern

LANGUAGE EDITING

I, Wilma Pretorius, hereby confirm that I did the language editing of the dissertation of mr I Viljoen (24011843).

Thank you,

Ms W Pretorius

BA Languages (University of the Free State)

Translation (NWU)

ABSTRACT

TITLE: Analysing balanced funds vs flexible funds' performance: The impact of pension fund investing restrictions

KEYWORDS: Balanced funds, Collective investment, Flexible funds, Investment diversification, Pension funds, Regulation 28.

Presently the South African government through National Treasury is busy re-evaluating the pension fund industry. One of the most recent legislation changes were on 1 July 2011 when the revised version of Regulation 28 took effect. In the new version asset allocation limitations are applied to individual investors. Previously it was the responsibility of the pension fund provider (administrator) to comply with asset allocation limitations. The majority of investors and pension providers do not have the time or the knowledge to manage investments asset allocation according to limitations. Limitations that were imposed was on equity, property and foreign assets. This responsibility for providing compliant funds rest with the administrators and collective investment schemes. The aim of this study is to determine if Regulation 28 compliant funds selected by individuals do indeed outperform funds that do not comply. In analysing the effect of Regulation 28 multi asset balanced funds that are compliant, was selected versus non-compliant multi asset flexible funds. Relevant literature study on the pension industry and empirical research on funds was discussed and brought in to context with objective of study.

The five largest funds in each category was selected through an extensive study in order to address key issues to determine if limited asset allocation has an effect on performance. Relevant investment analysis methods were used to determine risk, reward, performance and asset allocation. A comparison of the different funds provided a clear evidence with regard to outperformance. The results obtained from the analysis were used to recommend efficient funds for long-term savings in the South African pension fund industry. Flexible funds with their asset selection exhibits a greater performance than balanced funds

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION.....	1
1.1 Background	1
1.2 Motivation of actuality of topic.....	3
1.3 Problem statement and research objectives:	5
1.4 Scope of study.....	6
1.5 Research Methodology	6
1.5.1 Introduction.....	6
1.6 Chapter Outline.....	8
1.7 Definitions	9
1.7.1 Classification of South African regulated collective investment portfolios.....	10
1.8 Chapter summary	11
CHAPTER 2: LITERATURE STUDY	13
2.1 Introduction	13
2.2 The revolution of the defined contribution pension funds	14
2.2.1 Defined benefit fund	15
2.2.2 Defined contribution (money purchase).....	16
2.3 Economical effect of pension industry.....	17
2.3.1 Social grants and the economy	19
2.4 Individuals and the pension fund industry	21

2.4.1	New trend in the pension fund industry	Error! Bookmark not defined.
2.4.2	Umbrella funds	Error! Bookmark not defined.
2.4.3	Investment linked living annuities	Error! Bookmark not defined.
2.5	Pension reform and government	24
2.5.1	Tax deductible contributions	25
2.5.2	Tax at retirement	25
2.5.3	Retirement Reform	26
2.6	Regulation 28 of the Pension Fund Act.....	26
2.6.1	Asset classes and risk	30
2.6.2	Asset class performance	31
2.7	Overview of the South African Collective Investment.....	31
2.7.1	Financial market and performance	33
2.8	Summary	36
	CHAPTER 3: EMPIRICAL RESEARCH	38
3.1	Background	38
3.2	Research Objective and Methodology.....	39
3.3	Design of research	40
3.3.1	Population	40
3.3.2	Type and size of sample.....	41
3.3.3	Gathering data.....	41
3.3.4	Analysis of data	41
3.3.5	Interpretation of results.....	42

3.4	Portfolios composition	43
3.4.1	South Africa multi asset high equity funds (balanced)	43
3.4.2	South Africa multi asset flexible funds	44
3.5	Portfolios risk evaluation.....	45
3.5.1	South Africa multi asset high equity funds (balanced)	45
3.5.2	South Africa multi asset flexible funds	47
3.6	Portfolio return evaluation.....	48
3.6.1	South Africa multi asset high equity (balanced).....	48
3.6.2	South Africa Multi asset flexible funds	49
3.7	Annualised performance	50
3.7.1	South Africa multi asset high equity (balanced).....	51
3.7.2	South Africa multi asset flexible fund.....	52
3.8	Asset Allocation	52
3.8.1	South Africa multi asset high equity (balanced).....	53
3.8.2	South Africa multi asset flexible fund.....	55
3.9	Research Results	56
3.9.1	Asset allocation and risk evaluation.....	56
3.10	Conclusion.....	63
3.11	Chapter Summary.....	63
CHAPTER 4: CONCLUSION AND RECOMMENDATIONS		65
4.1	Background	65
4.2	Research summary	66

4.2.1	Conclusions from the literature study	66
4.2.2	Conclusions from empirical research.....	67
4.3	Concluding discussion	68
4.3.1	Limitation of research	69
4.4	Recommendations and future research	69
References		71
Annexure A		77
Annexure B		78

LIST OF TABLES

Table 2.1	Member numbers of South African pension funds.....	21
Table 2.2	Asset class limitations for pension funds from OECD countries	26
Table 2.3	Regulation 28 limitations to asset allocation.....	28
Table 2.4	Individual investor risk tolerance exposure evaluation.....	29
Table 2.5	Asset classes risk reward	31
Table 2.6	Performance of asset classes in the South African market	34
Table 2.7	The last 20 years performance of SA asset classes.....	35
Table 3.1	Fund information of balanced funds	43
Table 3.2	Fund information of flexible funds.....	44
Table 3.3	Risk evaluation of balanced funds	45
Table 3.4	Risk evaluation of flexible funds	47
Table 3.5	Return evaluation of balanced funds	48
Table 3.6	Return evaluation of flexible funds	49
Table 3.7	Annualised performance of balanced funds	51
Table 3.8	Annualised performance of flexible funds.....	52
Table 3.9	Asset allocation of balanced funds	53
Table 3.10	Asset allocation of flexible funds	55

LIST OF FIGURES

Figure 2.1	Define benefit pension fund.....	15
Figure 2.2	Defined contribution pension funds	16
Figure 2.3	South Africa's working force, population and old age grand's	19
Figure 2.4	Government philosophy on retirement savings	25
Figure 2.5	Fund Classification devised by Association for Savings and Investment South Africa	32

LIST OF GRAPHS

Graph 2.1	Pension funds asset value to gross domestic production	18
Graph 2.2	Average savings information of South African pension members	22
Graph 2.3	Real Rates available in SA Market from yield producing assets.....	37
Graph 3.1	Mean asset allocation Balance and Flexible Funds.....	57
Graph 3.2	Risk evaluation balanced vs flexible	59
Graph 3.3	Performance of balanced- and flexible funds vs volatility.	60
Graph 3.4	Out performance of benchmark (Altha) vs sharp ratio of balanced and flexible funds	61
Graph 3.5	Performance of flexible vs balanced.....	62

Abbreviations

• ASISA	Association for Savings and Investments South Africa
• AUM	Assets under Management
• BN	Billion
• CIS	Collective Investment Schemes
• Cisca	Collective Investment Schemes Control Act
• DBF	Defined Benefit Fund
• DCF	Defined Contribution Fund
• FSB	Financial Services Board
• FTSE	Financial Times Stock Exchange
• GEPP	Government Employee Pension Fund
• GDP	Gross Domestic Production
• IRFA	Institute of Retirement Funds Africa
• JSE	Johannesburg Stock Exchange
• Regulation 28	Regulation 28 of the Pension Fund Act
• ROSC	The Report on Observance of Standards and Codes
• SA	South Africa
• SARS	South African Revenue Service
• SARB	South African Reserve Bank
• SASSA	South African Social Security Agency
• Stat SA	Statistics South Africa

CHAPTER 1: INTRODUCTION

1.1 Background

The financial services sector touches the lives of each and every citizen by daily economic transactions that enables economic growth, job creation, the building of vital infrastructure and sustainable development for South Africa (SA) and its people. It is, therefore, crucial that the sector is well regulated and stable (National Treasury, 2011:1). According to National Treasury (2011:3) South Africa's financial sector comprises of over R6 trillion in assets, contributes 10.5% of the gross domestic product of the economy annually. The financial system of SA consists of institutions such as banks, pension funds, insurers, collective investments companies, securities markets, bond market, regulating bodies as well as the central bank that provides the framework for carrying out economic transactions and monetary policies. Given the need for higher economic growth and job creation, it is imperative to ensure that the SA Financial services sector remains competitive and that it is made safer through regulation that follows global best practice, but bearing in mind the specific circumstances of our own economy (National Treasury, 2011:4). As the global economy is emerging from the most serious financial crisis in history, many countries, including South Africa, have re-evaluated their current regulations in their financial services sector.

That being said, the SA pension funds sector is valued at trillions of rand and is one of the biggest investment forces in SA (Koegelenberg, 2012:1). According to Old Mutual's savings monitor survey (2015) pension funds are ranked as the second most widely used savings vehicle in South Africa. The reasons for change in the pension fund sector should be obvious; retirement assets represent a significant majority of the formal domestic savings pool and the JSE's market capitalisation (Koekemoer, 2014a:6). A global study sixteen major pension fund markets, done by Tower Watson (2015) found that South Africa had the second fastest growth in pension assets over the period 2004 - 2015 with savings of more than \$234 billion. It is therefore not surprising that the retirement fund industry has, over the last couple of years, been subject to extensive legislative changes. By regulating the pension funds sector appropriately, government can protect the elderly against poverty and reduce spending on old age grants, facilitate investment and reduce systematic risk (Koekemoer, 2014a:6).

According to the information above, pension funds cannot just invest in any asset class, this is highly regulated by the South African Government with regards to asset class selections. A recent change in the industry was the revision of Regulation 28 that gives effect to Section 36(1) (6B) of the Pension Funds Act of 1956. Allowing the Minister of Finance to make regulatory changes limiting the amount and the extent to which a pension fund may invest in a particular assets class (Sarkas, 2014). In 2011, the SA National Treasury and Financial Services Board finalised revisions to Regulation 28 of the Pension Funds Act. One of the key objectives of the regulation is to ensure that retirement fund investments are adequately diversified, and it aims to achieve this by prescribing the maximum exposure that members may have to certain asset classes (Sarkas, 2014).

Before 2011, Regulation 28 only prescribed maximum limits to a pension funds total assets under management (in other words, only the sum of all members combined had to comply). This meant that individual members could have potentially selected asset class exposures such as 100% allocation to equity even if it did not comply with the limits set for pension fund administrator by Regulation 28. (Koegelenberg, 2012:2) This is no longer the case, currently the prescribe exposure limits, applies to individual members within the fund. According to the revised individual pension fund investors are restricted to 75% in equities, 25% on listed property, 25% in foreign assets classes, as well as 5% in African assets. There are no restrictions on bonds and cash. Many of the retirement investment products offered by occupation pension funds and retail pension funds prefers collective investments schemes. Collective investments are regulated by the Collective Investment Schemes Act and already have a level of protection (Koekemoer, 2014a:8).

It could be argued that Regulation 28 merely restricts the maximum allocation to each asset class, but ignores other important aspects, such as time value of money, fund classifications, fund mandate, collective investment schemes regulations and appropriate diversification.

The legislation mentioned above, applies to pre-retirement investments but with post retirement investments no asset allocation limitation applies. Limiting the long-term saver and giving no limitation for retiree allowing them to invest in any way they see fit. Pension funds, have always been an obvious choice for long-term investments because of restricted access to funds before retirement meaning more riskier asset classes might be allowed. Pension fund providers are no longer taking the risk for the performance of

pension funds, this risk is now in the hands of the members making the fund choice. All life insurance, pension funds and collective investment (unit trusts) companies must ensure that individual investments in any retirement fund product conform to the Regulation 28. The study will focus on pre-retirement and the asset allocation restriction imposed within the collective investment schemes selected by individuals as prescribed by the pension funds and its effect on performance.

1.2 Motivation of actuality of topic

Restrictions on particular types of assets held by the pension fund, limit the dispersion of outcomes, particularly for defined contribution schemes. In most occupational pension fund schemes, this leads to a single portfolio environment where members of the schemes are forced to hold basically the same portfolio (World Bank, 2000). According to the World Bank Pension Reform Primer Publication (2000) countries with better developed capital markets where the population has more investment experience may require only a light regulatory touch. Voluntary retirement savings for occupational pension funds helps alleviate the responsibility on the government for provision. There is a need for strict regulations on asset allocation. Because of the nature of defined contribution funds and its dependence on fund performance

The value of a pension fund depends critically on the underlying asset allocations performance. By investing in growth assets over the long-term the real return is much greater than inflation (Oldert, 2013:84). Studies of the performance of different asset classes (property, bonds, cash and equities) invariably show the superior performance of equity and listed property over the long-term (Oldert, 2013:85). Given that compounding is a function of interest on interest earnings the longer investors have to invest the greater the possibility of multiplying their purchasing power. Growth assets like equity and listed property are investment options that do provide capital growth and dividend earnings over long periods of time and not just interest earnings.

Collective investments schemes (unit trusts) offered professional management, low initial investment amounts, diversification and access to expensive blue chip shares (Oldert, 2015:33). Asset managers are in the business of managing money trying to attract investors by providing investment opportunities that are unique (Megginson *et al*, 2010:154). Today, collective investments schemes as such require specialist knowledge, as unit holders must make a choice between general funds, theme funds, fund of funds,

hedge funds, bond funds, multi-manager funds and passive funds. An important development in the collective investment schemes first appeared in 1996 with the launch of balanced funds, which set out to attract investments that, historically, had been preserve for the retirement fund industry but with defined contribution evolving necessitated such action (Oldert, 2015:37). Balanced funds will typically invest within all the asset classes to reduce overall risk. Collective Investment Scheme (CIS) funds have evolved so much over the year that it is presently the preferred service provider of private pension funds for asset management purposes.

Multi asset collective investments schemes have come to dominate the South African investment industry according to Cairns (2014). Multi asset funds include high equity, medium equity, low equity, income funds and flexible funds. Balanced funds today are known as Multi asset high equity funds but for the purpose of this study it will still be named balanced funds because all the funds in the CIS industry are still known that way. Multi assets funds are categorize in the classification of South African regulated collective investment portfolios standard. According to ASISA the objective of this standard is to facilitate the timeous and appropriate classifications of funds to ensure that funds meet their investment mandate requirements and adherence to category and sector definition. The latest asset values from the Association of Savings and Investment of South Africa (ASISA) at the end of March 2015 indicated that there are R778 billion invested in multi asset funds - representing almost fifty present of the total collective investment schemes industry valued at R1.6 Trillion.

The majority of funds are invested in SA multi asset high equity (balanced funds) categories because they meet the requirements of Regulation 28 (Singh, 2013). Balanced funds investment mandate allows them to invest up to 75% in equities 25% offshore and 25% in listed property complying with Regulation 28. Balanced funds are restricted under South African classifications and are not allowed to invest more than 25% in offshore assets and have to hold 70% in SA assets. Balanced funds are long-term investments thus seldom hold more than 10% in cash and stay longer invested in equity asset class in bull and bear markets (Singh, 2013). Balanced funds are a popular choice among Pension funds and recommend investments to their members in part because they remove an extra layer of decision making. Instead of having to worry, and take blame for poor decisions on how much of the portfolio should be allocated to equity, bond and cash the adviser can pass the responsibility to the asset manager. The alternative to the

balanced fund that is used presently as often as it should be because of regulations preclude it from pension funds is flexible funds (Kruger, 2014).

The South African multi asset flexible fund is something of an outlier in the local collective investment industry and is generally positioned between balanced and equity funds. It is the smallest of the SA multi asset categories with a total value of R47 billion. Multi asset flexible funds are not automatically Regulation 28 compliant and are therefore off the radar of pension funds (Cairns, 2015b). Multi asset flexible funds mandate allow the fund to invest in any asset class without any restriction other than SA classification limited of 25% offshore assets and has to hold 70% of assets in SA. Probably the most fundamental thing when looking at flexible funds, is how they have structured their asset allocation. In theory a flexibly fund should fare better in a bear market because they are able to allocate to asset classes where they see value and take away from asset classes that are facing headwinds (Kruger, 2014). Naturally the major risk of wide mandate is that managers has greater scope to make poor decisions it is more important in this category to have a better understand of what kind of return profile the manager is attempting to achieve than in other more restrictive fund categories (Kruger, 2014). The objective of any classification standard is to facilitate a comparison of like with like. Given that all the funds in the multi asset classification must choose from the same investment universe (combination of equity, interest-bearing and listed real estate assets) it is the balanced and flexible funds that are comparable according to limits and Regulation 28.

As mentioned above, the study was done to determine whether it would be optimal, with regards to the risk return trade-off for South African pension funds to invest in multi asset high equity funds that comply with Regulation 28 or multi asset flexible funds that do not comply but are also restricted by classification.

1.3 Problem statement and research objectives:

Considering the above, the question could be asked, do balanced funds outperform flexible funds given the current pension fund investment restrictions of Regulation 28 in

South Africa?

This study sets out to address the above mentioned. This was done by comparing and analysing asset allocations and the persistence of performance over a ten-year period. The primary objective was therefore to determine if and to what extent balanced funds indeed outperform flexible funds indicating the effectiveness of Regulation 28.

Time and again, historical data reflects that no matter how bad things may appear, the stock market will recover. In fact, over the 109 years from December 1899 to 31 December 2008, there have only ever been 9 two-year consecutive declines of the local stock exchange. Interestingly, there have been no three-year declines. (Knee, 2010).

1.4 Scope of study

The focus of this research is to evaluate whether the performances are influenced by asset allocation. The field of this study are Financial Management. Financial Management deals with the allocation of assets and liabilities over time under conditions of certainty and uncertainty. (Megginson *et al*, 2014:158). A key point in finance is the time value of money, which states that the purchasing power of one unit at present time is worth more than the same amount in the future due to its potential earnings. Finance aims to price assets based on their risk level and their expected rate of return (Megginson *et al*, 2014:9 &154).

The industry involved is the South African Financial Services Sector. The Pension Fund Industry, within the South African Financial Services Sector, consists of a private and a public sector. This study however will only discuss the defined contribution within the private sector. All funds selected will comply with Association for Savings and Investment South Africa classification of South African multi asset funds.

1.5 Research Methodology

1.5.1 Introduction

Before embarking on a research study it is necessary to understand the research design and methodology to be followed. That was research design was developed to answer the research question as stated above. The main objective of this study was to evaluate the

effectiveness of Regulation 28 as implemented by the industry. The intention was to test whether the current asset allocation used by multi asset high equity (balanced) funds sufficiently provides for the retirement needs of individuals while complying with restrictions. Specific focus will be on growth assets and their effect on volatility and performance over long-term. The research will focus on the risk/reward of assets, and all performance will be considered over the same period. All funds will be measured with the same bench mark. This study might further serve to indicate that the collective investment schemes, managed in accordance with their mandates, seldom move out of the current asset allocation restrictions implemented by Regulation 28.

(i) Literature study

The literature study will cover current research and findings by various academics, leaders of industry, regulations, economic data, investors profile, asset classes as well as collective investment schemes. It is going to do so by looking at trends in the industry, current status of the industry, legislation and investment information. Internationally pension and asset allocation was incorporated into the study where applicable. The information provides a background study on pension funds and the industry it relates to that will help in the selection and understanding of research in chapter 3. Care was taken to ensure that the information collected was from diverse sources and of high quality.

(ii) Empirical study

The empirical part of the study comprised of quantitative research to evaluate objective data consisting of risks and rewards from asset allocation. The population was thus limited to five balanced- and five flexible funds from different collective investment companies. Large - and Boutique Asset Management companies' funds will be part of the study. The study attempted to find an answer to the initial issue of whether there is persistence of out-performance between balanced and flexible funds with investment restrictions.

Funds were selected from the following criteria:

- No fund of funds or multi manager funds.
- Assets under management of more than one billion rand.
- Performance track record of ten years.

- The five largest in value.

Although many different research processes or research steps are identified by different authors, most of the processes have the same basic principles or steps. The systematic flow of the research process assists the researcher to proceed from an identified problem to proposing meaningful solutions or providing recommendations for improvement (Welman *et al*, 2005:1-36). Data was analysed with help from FE Analytics and relevant fund factsheet information received from asset manager companies. Relevant measurements evaluated are investment industry related:

- Risk evaluation ratios are beta, r-squared and standard deviation (volatility)
- Performance evaluation ratios are sharp ratio and Alpha.
- Asset allocation measure will be a mean comparison of the five balanced funds versus the five flexible funds
- Performance will be an annualised performance of funds over one, three, five and 10 years.

Data was gathered and then statistically analysed to ensure its validity to the study. Quantitative research usually aims for large numbers of cases and the analysis of results. All statistical analysis provided direction and recommendations for future development in investment decisions for pension funds, and fund selection.

(iii) Limitation to the study

Since the study was merely a combination of different aspects of asset allocation, risk reward benefits, different multi asset funds and fund managers mandate classification. Limitation on available information from the different asset managers. It is crucially important to co-ordinate all these aspects. Although the usefulness of track records approach seems obvious history is not always an indication of the future. The available journals in the South African context were limited so this study outcome could lead to more in-depth studies.

1.6 Chapter Outline

Chapter one gives the nature and scope of the study, provides an overview of the research topic outlines the aims of the research as well as how the research data was collected and the research executed.

Chapter two is a literature review of the pension funds industry and regulatory environment with specific reference to the role of Regulation 28 and the collective investment industry.

Chapter three contains practical research to test the validity of the study. The statistical analysis of the risks and rewards and limitations on asset allocation were done in order to get reliable results.

Chapter four describes the results obtained from the research in Chapter three and provides the conclusions and recommendations for the pension fund industry, based on the findings of the study. The evaluation of the achievement of objectives and suggestions for further research conclude this chapter.

1.7 Definitions

- (a) **Diversification:** is a technique that reduces risk by allocating investments funds among various financial instruments, industries and other categories. It aims to maximize return by investing in different risk areas that would react differently to the same event. It's also important to diversify among different asset classes such as bonds and stocks. (Botha *et al*, 2008:457)
- (b) **Asset classes:** are divided into five main categories: cash, bonds, equities, property and offshore investments. There are differences in returns such as capital returns, interest, dividends, exchange rates as well as different conditions influencing them, making them suitable assets for diversification (Botha *et al*, 2008:458).
- (c) **Collective investment schemes:** (previously known as a unit trust) are trust based schemes that comprises of a pool of assets that is managed by a collective investment scheme manager and is governed by the Collective Investment schemes Control Act The funds from a group of investors are pooled together to form a collective investment scheme the pool of funds is known as the fund portfolio.(Cairns, 2013:42) Owners of collective investments are unit holders in a fund that in turn invests the funds in a range of assets, including equities (shares), bonds, property equity, and money market, depending on the mandate of the fund. A professional portfolio manager makes the decisions of which investments to buy and which to sell, according to the mandate and risk level of the funds as described

in the trust deed. Investors in collective investments schemes share in the funds gains, losses income and expenses on a proportional basis (Anon, 2014).

- (d) **Regulation 28:** gives effect to section 36(1) (6B) of the Pension Funds Act (1956) Regulation 28 was promulgated in 1962 and was last amended in 1998. Innovation and the recent financial crisis of 2008 necessitate the amendment of Regulation 28. During the first quarter of 2011, the minister of finance, Mr. Pravin Gordhan, introduced revised investment requirements for retirement funds (Koegelenberg, 2012).

1.7.1 Classification of South African regulated collective investment portfolios

- (e) **South African Portfolios:** These are collective investment portfolios that invest at least 70% of their assets in South African investment markets. These collective investment portfolios may invest a maximum of 25% of their assets outside of Africa plus an additional 5% of their assets in Africa excluding South Africa (ASISA, 2010).
- (f) **Multi asset portfolios:** are portfolios that invest in a wide spread of investments in the equity, bond, money and property markets to maximise total returns (comprising of capital and income growth) over the long-term (ASISA, 2010).
- (g) **Multi asset flexible portfolios:** invest in a flexible combination of investments in equity, bond, money, or property markets. The portfolios have complete or stipulated limited flexibility in their asset allocations both between and within asset classes, countries and regions. These portfolios are often actively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions, in order to maximise total returns over the long-term (Cairns, 2015a).
- (h) **Multi asset high equity portfolios:** (balanced funds) invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to have an increased probability of short-term volatility, aim to maximise long-term capital growth and may have a maximum effective equity exposure (including international equity) of up to 75% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate stated investment objective and strategy (ASISA, 2010).

- (i) **Fund of fund:** a collective investment fund that invest in a range of other collective investment funds (Older, 2015:146).
- (j) **Multi manager funds:** outsource the management of the fund to different fund managers that manage portions of the asset allocation. Multi manager funds is about the way in which the fund is managed rather than the type of asset in which it invests. (Older, 2015:147)
- (k) **JSE Alsi (j203):** According to the Johannesburg Stock exchange FTSE/JSE Africa Index is designed to represent the performance of South African companies, providing investors with a comprehensive and complementary set of indices, which measure the performance of the major capital and industry segments of the South African market. The FTSE/JSE All-Share Index represents 99% of the full market capital value i.e. before the application of any inevitability weightings, of all ordinary securities listed on the main board of the JSE, subject to minimum free float and liquidity criteria (FTSE, 2015).
- (l) **Bottom up and top down Philosophy:** There are two different schools of thought when it comes to asset allocation managers either use a top-down, or bottom-up philosophy. The top-down school of thought starts with macro view of the economy. In the bottom-up school of thought managers invest the opposite way around understanding companies and investing in them when their fundamental value is less than their market value, this is more rewarding than trying to predict economic, political or share-market trends. They make a call on which sectors should overweight or underweight the ALSI. From there analysis seek out appropriate shares. Fundamental value involves detailed analysis of the business, its income, expenses, outlook and positioning within its industry (Anon, 2015).

1.8 Chapter summary

The purpose of this chapter was to provide an introduction to the field of study, problem statement and the methodology in answering the research question. The study field is the SA pension fund industry focusing on the private sector and defined contribution funds and their available fund options. In 2011 the new revised Regulation 28 was imposed for pension fund to restrict asset allocation on investments. In the collective investment schemes industry balanced funds have been introduced in 1996 to be used for pension

investment. Balanced funds are still in use today and still comply with the restrictions as set by Regulation 28. With the new limit being imposed on individual members and not the funds the responsibility has change to the individual to select the funds but are limited to only Regulation 28 compliant funds. Balanced funds are currently dominating the industry because of the ease of compliance.

The collective investment industry currently also has fund classifications and mandates that limit funds on asset allocation like flexible and balanced funds. Collective investment funds will be used in the study to indicate if compliant funds and non-compliant funds in the same classification sector hold more risk than rewards. Measurements will focus on performance and asset allocation to see if balanced funds the solution for long-term investments. Flexible funds are asset allocators and have the same risk profile as balanced funds for an individual investor. The analysis will be on balanced fund versus flexible funds compering risk and performance. The researcher wanted to conclude whether flexible funds are a better long-term choice for retirement savings, given its limited asset allocation, according to its Mandate and classification.

In the next chapter a study will be done on current trends, legislations, collective investments schemes and asset allocation of the pension fund industry of South Africa.

CHAPTER 2: LITERATURE STUDY

2.1 Introduction

The previous chapter provided an introduction to the problem statement and the objective of the study. This chapter considers the pension fund industry of South Africa to better understand the relevance of Regulation 28. Investments made into retirement products during the accumulation phase of the retirement cycle must comply with the prudential limits set in Regulation 28 of the Pension Funds Act. During the accumulation stage of retirement savings, the investors use collective investments as the underlying building blocks for investments. This generally results in an investment into one or more balanced funds. The retirement cycle can only be fully understood in context to the study if all the aspects are explained. In order to achieve this, this research investigated trends in the industry, the current status of the industry, legislation and investment information.

The Pension Fund Act 24 of 1956, subject to many acts of amendments and regulatory changes over the years, governs the retirement fund industry in South Africa (Brown, 2013). There has been a significant consolidation in the retirement fund industry in South Africa over the past decade. The Financial Services Board reported (2012) that from the 13 000 registered retirement funds in 2005, presently only about 3 000 active funds are still registered. In South Africa like in many other areas of the world, more than 60% of retirement funds members are privately administrated and funded (Brown, 2013). South Africa has no compulsory or national pension fund scheme, but the government funds a social security old age grand to senior citizens.

Most pension fund contributions are received from employer sponsored schemes where the employer provides its employees with the facility to contribute to a pension fund. All pension funds must be registered in terms of the Pension Funds Act of 1956, once registered, a fund becomes a separate legal entity with both employers and members having no obligations to the fund (Van Zyl *et al*, 2006:176). A major benefit of a fund separate from the employer is that members' accrued benefits are secured and are not dependent on the solvency of the employer (Van Zyl *et al*, 2006:176). An important characteristic of a retirement fund is the way in which benefits are defined.

The different types of Pre-Retirement Funds can be split into two broad categories namely occupational schemes and individual schemes:

Occupational schemes contribute to the welfare and efficiency of an organisation and its employees and in that there are essentially three options; pension funds, provident funds and umbrella funds.

Individual schemes are available for those members who do not belong to occupational schemes, or who wish to make additional retirement savings outside of an occupational scheme and/or who wish to preserve members fund value paid from an occupational scheme before retirement (Rabenowitz *et al*, 2010). There are basically two options within individual schemes; retirement annuities and preservation funds.

All of the above mentioned pre-retirement product solutions have to comply with the legislation of the Pension Funds Act and Regulation 28 prudential investment guide lines. All of these categories are defined contribution funds (DCF) and have investment funds to choose from.

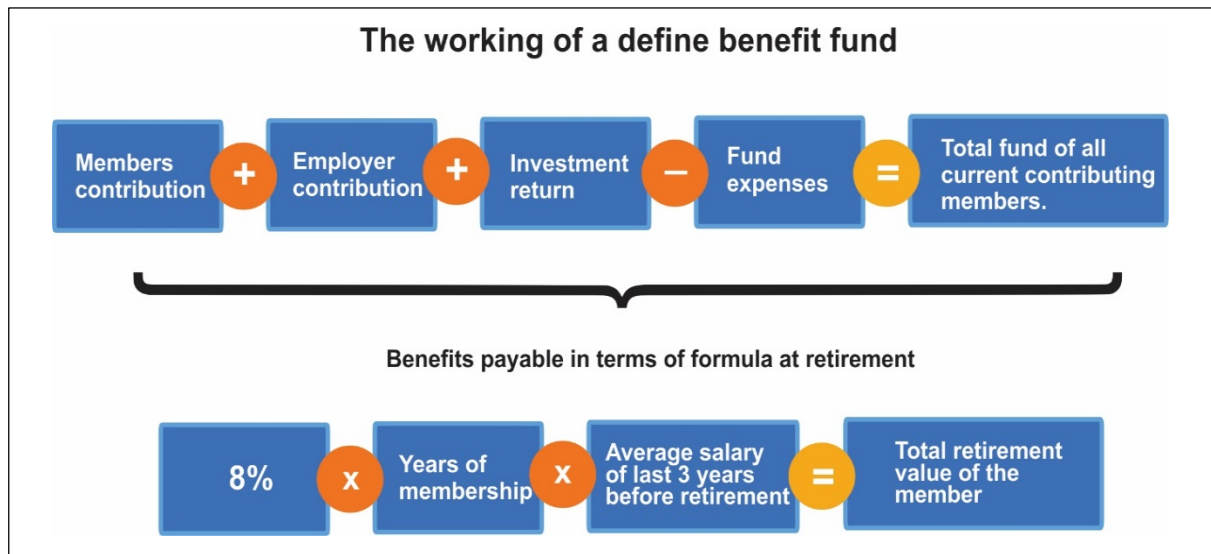
2.2 The revolution of the defined contribution pension funds

Thus before any study can be made for pre-retirement the two broad classes of fund structure: defined benefit and defined contribution funds needs to be discussed. Defined contribution funds (DCF) became popular in the early 1990s, when most private sector employers came to the conclusion that defined benefit funds (DBF) were unsustainable (Koekemoer, 2014b). The then prevalent promised salary at retirement; could not be sustained over the life expectancy of clients, longevity only later became a calculated risk. The old-style guarantees for life (defined benefit fund) could, in an environment of ever increasing longevity, bankrupt the pension fund (Cameron & Heystek, 2000:23). This is precisely the reason why companies are changing their pension fund structure (Van Zyl *et al*, 2006:176).

A global pension assets study by Tower Watson in 2015 covered 16 major pension markets in the world with a total USD 36 119 billion in pension assets. During the study DCF assets represented 46.7% of the total pension assets, in line with the established trend over the past decade towards growing dominance of DCF pension fund. However, the majority of retirees globally will be primarily dependent on a market-linked portfolio, accumulated through their own savings efforts and investment choices to fund their income needs (Koekemoer, 2014c).

The key benefit of DCF is the straightforward link between contributions made and eventual benefit received. DCF unfortunately also have a downside, each members' savings outcome is defined by the returns earned by the members' portfolio choice. In 2011 National Treasury stated in their safeguarding pension document that information disclosure requirements in DCF funds are relatively better than in DBF funds, given the inherent transparency of DCF.

The workings of a defined benefit and defined contribution fund:



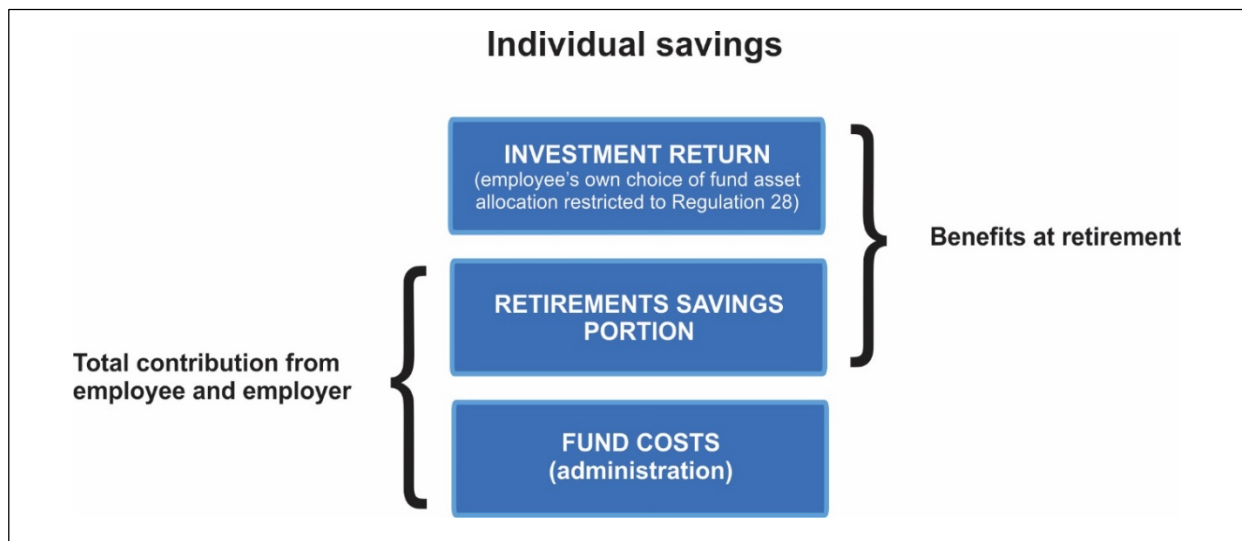
(Source: Own research)

Figure 2.1: Define benefit pension fund

2.2.1 Defined benefit fund

In figure 2.1 defined benefit funds (DBF) are explained. The total fund value of all members and employers are equal to the total pension funds value of all current contributors. In a defined benefit fund the retirement benefit is based on a formula that is calculated using the member's final salary times the years of membership to the fund multiplied by a formula determent by the fund which equals the retirement benefit (Rabenowitz *et al*, 2010:829). This is a retirement fund that guarantees paying the benefits to the retired employee for the rest of his or her life. The employee does not have to be concerned about the returns on the investment in the retirement fund or whether there will be enough funds to pay for retirement. In this fund, the structure and the investment risk of the fund lies with the employer. If the assets in the fund do not perform well, the employer contributes more payments into the fund. (Van Zyl *et al*, 2006:176).

Now more than ever investment returns and asset allocation are of upmost importance due to the transfer from defined benefit to defined contribution.¹



(Source: Own research)

Figure 2.2: Defined contribution pension funds

2.2.2 Defined contribution (money purchase)

Figure 2.2 indicate the workings of a defined contribution funds (DCF). Benefits payable to a member at retirement is a calculation from the contributions paid plus members' fund returns less cost. The employee and employer contribute fixed amounts into this fund. If the assets in the fund do not perform well, the employee's retirement benefit are reduced. (Van Zyl *et al*, 2006). In this fund structure, the investment risk lies with the employee. This is a new-style contribution pension fund in South Africa and it comes with no guarantee of any kind after retirement. (Cameron & Heystek, 2000:22).

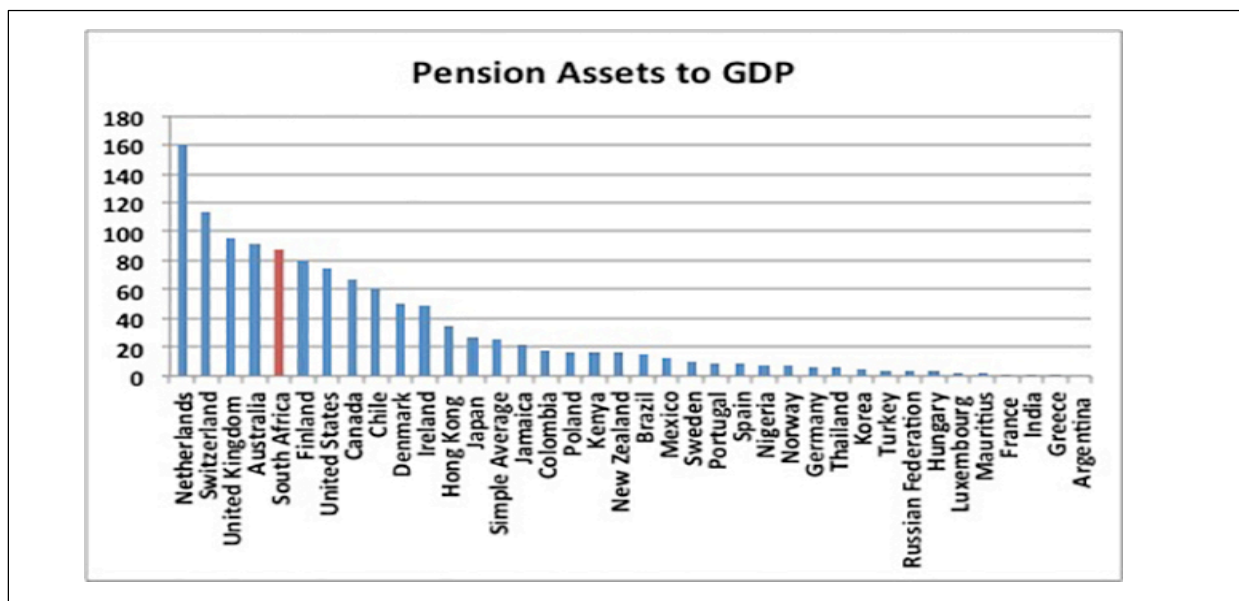
¹ Annexure A: A summary of the differences between DBF and DCF

2.3 Economical effect of pension industry

South Africa's gross earnings in the formal, non-agriculture sector show a steady growth, getting richer as a nation is a critical part of progress. In the first nineteen years of democracy, South Africa grew per capita income by 34% and the economy grew by 77% in real terms (Landman, 2013:13). Demonstrating that South Africa is still progressing towards a more modern society. Modernity is about creating a better life for all societies just like government are improving legislation to promote retirement savings. The World Bank and International Monetary fund have given South Africa's financial sector the thumbs up following an assessment of the country's adherence to international banking, insurances and securities markets regulatory standards (Schüssier, 2014b).

According to Tower Watson global pension assets survey of 2015 South Africa total assets in 2004 was \$143 billion while it was \$234 billion in 2014. From a local currency perspective South Africa pension assets had a growth rate of 12.9% per annum over the last 10 years. Present data indicate that South Africa's pension assets are 69% of the GDP value of 2014. This information provided an indication that SA pension industry contributions are growing with the economy at a sustainable rate and in line with global counterparts.

In 2012 South Africans owned a lot of the economy, namely 40% of the JSE via pension funds and asset managers (Schüssier, 2014a). Without the huge asset base in pension funds South African companies such as SABMiller, Anglo American, BHP Billiton Richemont, MTN and Naspers would not rank within the top companies in the world (Schüssier, 2014a). Their expansions can be finance by either debt or issuing stocks and this is where pension funds played their part in making this possible by investing in companies (Schüssier, 2014a). The best example in SA is the investment arm of the Government Employee Pension Fund (GEPF) the Public Investment Corporation (PIC). They are the largest project and expansion investor on the JSE (Koekemoer, 2014a).

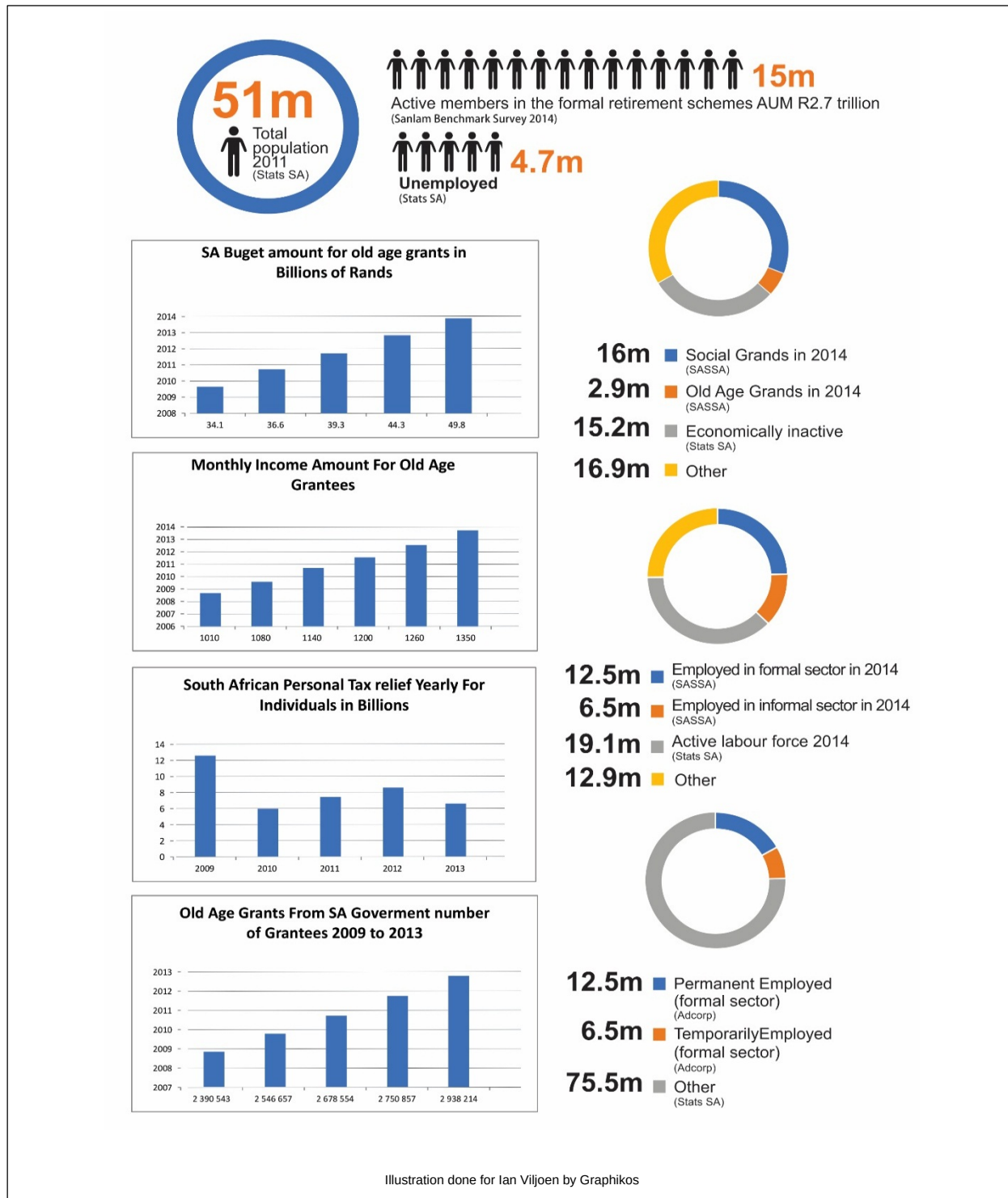


(Source: Schüssier, 2014a)

Graph 2.1: Pension funds asset value to gross domestic production

Graph 2.1 indicate pension assets value to the Gross domestic production (GDP) value of the 75 largest pension fund countries. South Africa pension funds are the fifth highest pension asset base to GDP in the world. This represents the tenth biggest pension fund assets in the world measured in US dollars. Moreover, South Africa is arguably the youngest of the 75 countries whose data is available, which means that much of the money is yet to accumulate. (Schüssier, 2014a). The current pension fund contributions amount to R51 billion a year, according to the 2013 ASISA figures. South Africa's pension asset base has also allowed the country easy access to funds for major government and company projects much easier and cheaper with our liquid bond market (Anon, 2014). This means that Financing the economy can be done by local funding which makes it cheaper for local government and less reliant on offshore investing.

2.3.1 Social grants and the economy



(Source: Own research)

Figure 2.3: South Africa's working force, population and old age grand's

Figure 2.3 indicates the value, growth and population needing social support from government. South Africans are conveniently using the looming introduction of some form of social security system as an excuse to not provide for their own retirement The State

will provide!" Many South Africans are cruising towards a huge wakeup call or facing poverty at retirement or receiving help from their children (Lester, 2014). The South African population reached the 51 million mark in the 2011 census with about 3 million pensioners relying on the R1 350 per month social pension grant from South African Government, according to the South African Social Security Agency (SASSA) (2014). Figure 2-3 indicates the present situation where an average of 109 534 new applicants have been applying annually for old age grant over the last 5 years growing yearly at 5.25%. Government is increasing the provision annually with an average of 9.93% to provide for inflation and new applicants every year. This percentage increase is more than the present inflation rate of 6.3% in June 2014. An amount of R49 billion from the South African budget of 2014/2015 is made available for old age grants. This is R0.04 of every R1 the South African Government has available to spend annually South Africa is not a welfare state and the basic pension does not provide sufficient income for retirement.

The fiscal policy is the only option a government has to influence a nation's economy this basically states that governments can influence macroeconomic productivity levels by increasing or decreasing tax levels and public spending. The South African government has been lowering personal tax over the past 5 years, with a total saving of R 44 billion also indicated in figure 2-3 for individual tax payers. Government cannot with an inflation rate of 5% at end of July 2015 and lower tax receivables uphold an increase of 9.93% for old age grants, annually. South African inflation and food inflation information provided by Stats SA indicate that government cannot increase social grants income at the same rate as inflation. As food inflation statistic are the most important statistic for the needy at 4.4% in July 2015. Providing old age income grant with an increasing on average of 5.57% the possibility of providing an income that will be sufficient on food inflation are not possible presently.

With this information as background it is evident why the National Treasury has been on a conversion path of the South African retirement system since 2004. They need to do more for individual tax payers to get them to start saving for themselves, because they cannot uphold an average old age grant increase of 9.93%.

2.4 Individuals and the pension fund industry

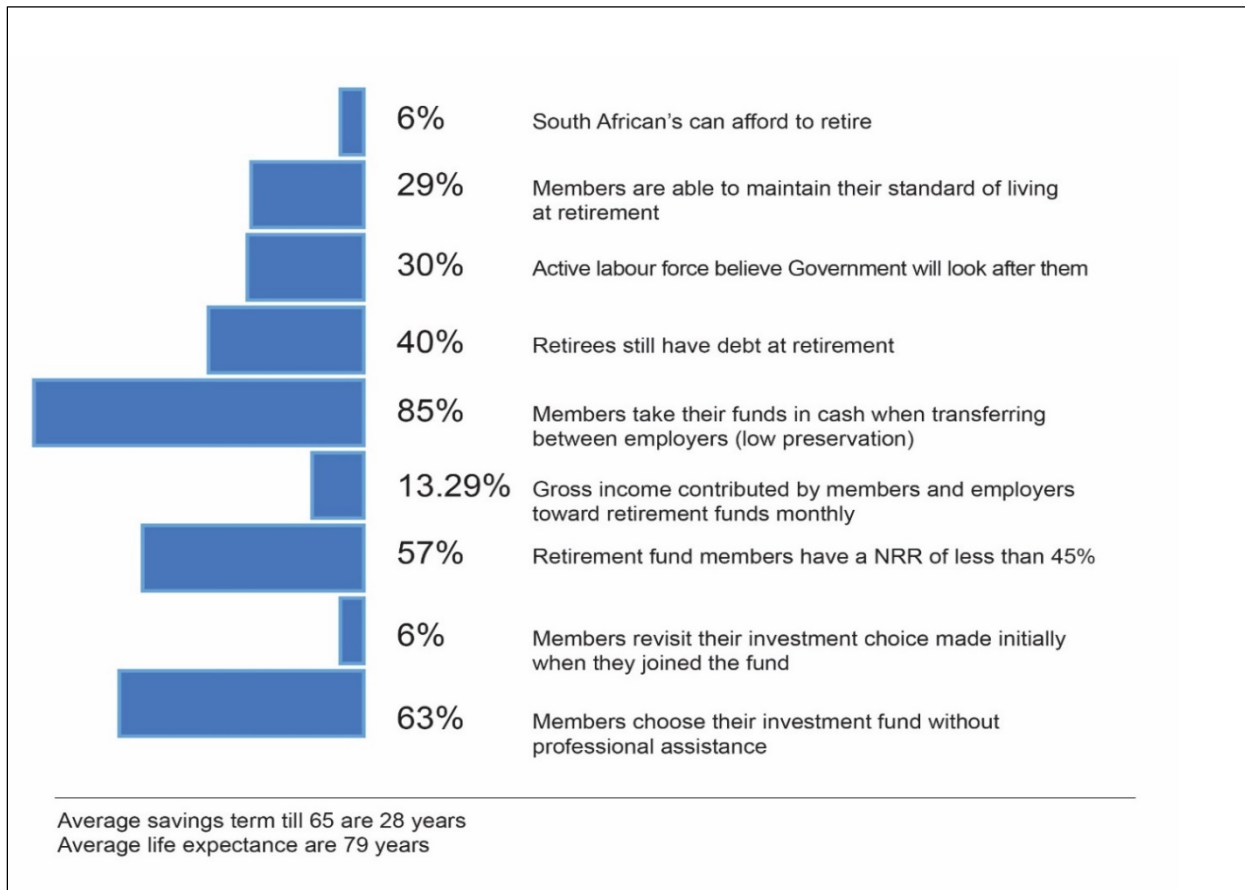
It may be argued that individual tax payers are not saving more, even though they are paying less tax (also receiving more tax benefits) and receiving better salaries over the last twenty years according to above information. We all hope to retire in comfort someday, although statistics reflect the following.

Table 2.1: Member numbers of South African pension funds

Member Number	Description	Source
10 388 847	Active members	FSB
3 278 614	Unclaimed Benefits	FSB
385 090	Deferred Pensioners	FSB
131 443	Dependants and Nominees	FSB
821 312	Pensioners	FSB
15 005 306	Total Member Accounts	FSB
4 056 474	SARS oversees that this amount of people claims tax deductions for retirement product contributions	

(Source: FSB, Annual Report, 2012:42)

Table 2.1 is a summary from the FSB of all active members of private and public pension funds that are registered in South Africa. This leaves South Africa with 10 388 847 active members contributing to pension funds, provident funds and retirement annuities and a total of 821 312 pensioners receiving income monthly out of a population of 51 million people as was stated in 2.3.1.



(Sources: Own research)

Graph 2.2: Average savings information of South African pension members

The information in graph 2.2 was received from Sanlam Retirement Benchmark Survey (De Villiers, 2014) and Old Mutual Savings and Investment Monitor (Old Mutual, 2014), two of the largest life insurance companies and the Institute of Retirement funds Africa (IRFA, 2014) surveys done over the past few years. As are indicated from the above graph only 6% of the country can afford to retire, 30% of active labour force belief government will look after them and 85% of members take their pension fund in cash when moving from one employer to the next statistic that government hopes to rectify. But the information that is relevant to this study for research in chapter 3 are 6% of pension fund members revisit their investment choice made initially when they joined the fund and 63% of members choose their investment in a pension fund without professional assistance.

2.4.1 New trend in the pension fund industry

All products in the pension fund industry are monitored by its member growth and assets under management. The following product trends have been the fastest growing in the industry over the last 10 years according to Sanlam employee benefits. It is interesting to note that umbrella pension funds are defined contribution funds and preferred investment funds used are balanced funds and life stage funds that comply with Regulation 28. (De Villiers, 2014) Living annuities do not have to comply with asset allocation limitations.

2.4.2 Umbrella funds

As indicated by the National Treasury (2011:53) the possible solution to structurally managing retirement costs is through the implementation of umbrella funds. An umbrella pension or provident fund is a single fund which is usually established by a life insurer or retirement fund administrator. Any employer or group of employers can apply for membership as a participating employer. All these funds are defined contribution funds and are some of the fastest growing retirement products mainly because of the economics of scales influence on administrative cost making them the cheapest option in the industry. Umbrella pension funds are funds operated with members from multiple employees. These funds offer solutions to smaller employees. This reduces the average admin cost per member and can provide advantages such as professional governance (Rabenowitz et al, 2010:834). Sanlam Benchmark survey on employee benefits (2014) indicated that 54% of all standalone funds surveyed are interested in making the transition to an umbrella fund (De Villiers, 2014:25).

Investment decisions are always difficult and members have to decide for themselves. Currently 57% of all umbrella funds and private pension funds have instituted a life stage strategy investment fund option as their default portfolio option (De Villiers, 2014:26). Given that many members are not able to make sophisticated financial decisions; it is no surprise that many end up in a default portfolio.

Life stage investment portfolios are one of the available choices which link the investment asset allocation to a members' age. The years prior to retirement members are moved to a less volatile asset exposure or allocation which normally happen on average 5 years before retirement (De Villiers, 2014:26) Asset allocation in the end stage, from age 57 to

62, is still heavily in favour of conservative investments (Hogan, 2013). Life stage might not be beneficial, for persons not retiring at age 60 or 65.

2.4.3 Investment linked living annuities

Investment living annuity is a pension income provision product, at retirement monthly income payments are not guaranteed. The two thirds or full fund value at retirement is invested with the insurer in an investment portfolio consisting of collective investment funds. Investment return, over time, can be positive or negative. The percentages of income allowed to be withdrawn over a 12 period is limited by SARS practice notes to between 2.5% and 17.5% of the capital value per annum (Stanlib, 2014).

Statistics released in 2013 by the Association for Savings and Investments South Africa confirms the on-going preference for living annuities, 89% of all value used for post-retirement were invested in living annuities (Koekemoer, 2014b:). This market preference is consistent with existing market behaviour in the United States and Australia, which have a similar private sector pension fund structure to South Africa (Koekemoer, 2014b). This means that pensioners prefer a flexible product with the benefit of selecting their own asset allocation and deciding on their own income percentage.

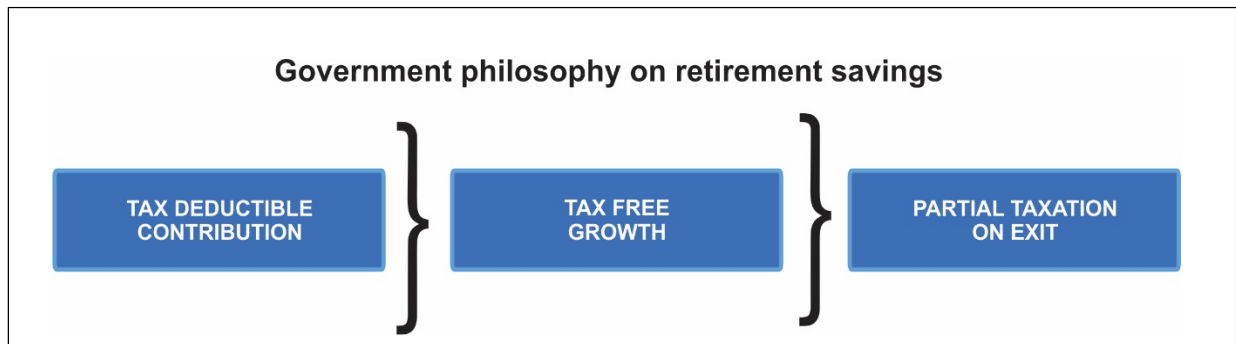
ASISA reported in March 2014 that living annuities increase in new investments from R274 billion in 2012 to R354 billion in 2013. Unfortunately living annuities are driven by demand from consumers who retire early or have not saved enough for their retirement and need more income over time on the invested. Unlike retirement funds, living annuities are not legally required to adhere to prudent investment guidelines as detailed in Regulation 28 of the Pension Funds Act.

2.5 Pension reform and government

Owing to the importance of retirement fund benefits to citizens in enabling them to support themselves and to continue to maintain a decent standard of living after retirement, the state has deemed it necessary to enact legislation that protects the members' funds, aside from benefit provision (Van Zyl *et al*, 2006:184).

National Treasury has for the last decade focused on promoting savings for retirement by letting the industry move with new international innovations and products. National Treasury has given most of the industry regulatory rights to the Financial Services Board

and rectified legislation according to recommendations from the FSB and the industry. To increase the level of retirement savings government, believe that tax incentives can play a valuable role (Lester, 2011). The retirement fund industry is now making real decisions with legislation in mind (Wahome, 2012).



(Source: Own Research)

Figure 2.4: Government philosophy on retirement savings

Figure 2.4 is an overview of South African government's philosophy on encouraging retirement savings by providing tax deductions on contributions, tax free growth on all capital gained, dividend income and interest received. Since 2009 SARS has embarked on an easier to understand calculation for retirement deductions and taxation (Lester, 2011). Thus retirement funds are a tax haven for investing no tax on growth in the fund as well as tax deductions till retirement.

2.5.1 Tax deductible contributions

As from 1 March 2016 the tax treatment of pension retirement annuities and provident funds will be changed. The total contributions deductible by an employee is limited to 27.5% of the taxable income, but capped at a limit of R350 000 annually according to SARS. This includes all payments to pension funds, provident funds and retirement annuities in a financial year will be able to be deducted but limited to 27.5% of taxable income.

2.5.2 Tax at retirement

Since 1 October 2007, the taxable portion of a lump sum from a pension fund, provident fund, retirement annuity fund on retirement or death is the lump sum less any

contributions that have not been allowed as a tax deduction. This amount less the tax free portion of R500 000 is then taxed at the following percentages 18% above R500 000, 27% above R700 001 and 36% above R1 050 000 this according to SARS tax guide.

2.5.3 Retirement Reform

Increasing longevity means that one's savings need to last longer and government's proposals around retirement reform aim to encourage investors to act in their own best interest (Lambrecht, 2014). One of the challenges of the current system is that it makes it too easy for workers to cash out retirement savings when they leave an employer or change jobs. Individuals end up not having enough funds for their retirement because the investment is not given sufficient time to grow. Government proposals seek to encourage pension fund members to preserve their own funds, when they change occupation. By limiting access before retirement and at retirement of provident fund members.

2.6 Regulation 28 of the Pension Fund Act

The aim of National Treasury's (2011) pension fund investment regulation is to ensure that the savings South Africans contribute towards their retirement are invested in a prudent manner, which not only protects the pension fund member, but is channelled in ways that support economic development. Regulation 28 of the Pension Funds Act empowers the Minister of Finance to define assets spreading requirements for pension funds. This Pension fund asset allocation restriction is applied in many countries around the world developed and developing. As mentioned previously governments around the world do indeed use limitations to hold some value in a country for financial market. The Organisation for Economic Co-operation and Development (OECD) do analyse the limitations of 75 countries including South Africa.

Table 2.2: Asset class limitations for pension funds from OECD countries

Developed Country	Equity	Offshore	Property	Bond	Cash
UK	No limits	No limits	No limits	No limits	No limits
USA	No limits	No limits	No limits	No limits	No limits
Australia	No limits	No limits	No limits	No limits	No limits
Canada	No limits	No limits	No limits	No limits	No limits

Developing Country	Equity	Offshore	Property	Bond	Cash
SA	75%	25%	25%	No limit	No limit
Brazil	60%	2-3%	10%	80%	80%
Russia	70%	30%	10%	80%	80%
Turkey	No limit	No limit	0%	20%	No limit

(Source: Anon, 2011)

In table 2.2 are the describes of the main quantitate investment regulations applied to pension funds in Organisation for Economic Co-operation and Development (OECD) and selected non-OECD countries as from December 2010. The asset allocation of private pension plans varies greatly around the world. A recent study done in 2012 by The Organisation for Economic Co-operation and Development indicated that investments ranged in growth assets from less than 10% to more than 80% in countries such as the United States of America, Australia, United Kingdom and Canada. It should be noted that these results are not in respect of the total industry but nevertheless they do represent the asset allocation of major pension funds in each country.

The United Kingdom and United States of America are moving gradually from defined benefit schemes to defined contribution arrangements (Marsh, 2014). Interesting to note is the recent closure for new members of defined benefit funds which means that many DCF members in the UK and USA is under the age of 40. This younger membership means relative high exposure to equities in the DCF plans (Marsh, 2014). Property investments also varies roughly from zero in many countries to approximately 10% in Australia, Canada and Switzerland for the more developed countries (Marsh, 2014). The majority of legislation now being implemented and considered in South Africa is from the UK and Australia according to Sanlam. Interesting to note is that the develop countries US, UK, Canada and Australia have no limit to equity or property but the developing countries like, South Africa, Brazil, Russia and Turkey have limitations on local-, offshore equity, listed property, bonds and cash. These limits range from 75% in South Africa to no limit in Turkey. South Africa has the highest allowed listed property allowed percentage of 25%. In many countries pension funds invest far less in equities than any portfolio restrictions allow. But subscribing portfolio limits is a necessary condition for diversification, even if it is not sufficient (World Bank, 2001).

Table 2.3: Regulation 28 limitations to asset allocation

Asset Classes	Regulation 28		CISCA
	Overall Limit	Sub-Limits	
Equities	75%		No limit
Market cap greater than R20bn (Large Cap)		15%	10%
Market cap between R2bn and R20bn (Mid Cap)		10%	10%
Market cap less than R2bn (Small Cap)		5%	5%
Foreign exposure including inward listed shares	25%		25%
Africa	5%		5%
Cash	100%		No limit
Any single money market instrument issued by a South African bank		25%	
Debt (Bonds)	100%		
ON-balance sheet bank-issued corporate and public debt		75%	
Property	25%		No limit
Market cap greater than R10bn		15%	10%
Market cap between R3bn and R10bn		10%	10%
Market cap less than R3bn		5%	5%
Commodities	10%		
Commodities other than gold		5%	Not directly Exchange traded funds
Gold		10%	Not directly Exchange traded funds
Other Assets	15%		
Hedge Funds of Funds and Private Equity Funds of Funds (Per fund)		5%	Allowed to do hedging but not hedge fund investments

(Source: Oldert, 2015)

In table 2.3 are a summary of limits set on asset classes Collective Investment Schemes Control Act (CISCA) and Regulation 28 of the Pension Funds Act. The market cap under equities and property refer to the market value of a company's shares. This number is reached by taking the stock price and multiplying it by the total number of shares outstanding. In 2013, according to Investec, 71% of the total stock market return in South Africa, came from 5 large cap stocks with according to market cap are Naspers, Richmond, SAB Miller, Sasol and MTN. This do reflect the reason why large cap stocks exposure are limited by Regulation 28 the effect it can have on a pension fund if 75% was only invested in this 5 stocks and two of them lost 20% of their market capitalization in

one month. CISCAs also limit collective investments market cap of stocks with large cap stocks more limited as Regulation 28.

Equity has an overall limit of 75% and sub limits for large cap, mid cap and small cap companies. The sub limits have been imposing to diversify the risk of selecting between Equities. Offshore exposure of 25% is applicable to all offshore assets, including bonds, cash property and equity. Property equity is limited to an overall limit of 25% but also to market caps as equities. CISCAs only had limits on property funds market caps and no overall limits on equity or property only on offshore assets. Other assets like hedge funds and private equities are new investment options that have not been investigated by the retirement industry yet, and this poses a very high risk. These options are not allowed by collective investments. South African cash and bonds are the only asset classes that are allowed investments up to 100% of the retirement savings member's value. This regulation is more in line with government policy and objects. The industry prefers investors to work on a risk tolerance selection to determine their risk appetite. All fund selections and asset class exposure are processed accordingly.

The Collective Investments Schemes Control Act which regulates collective investments restricts collective investments managers to investing in well-regulated financial instruments such as listed securities (equity). The act also sets investment limits to mitigate risk, such as how much can be invested in a single company (Bechard, 2015). Where a Regulation 28 limit is more restrictive than the CISCAs regulations a collective investment fund would have to comply with Regulation 28, where more than one code is applicable the fund manager must always apply the more stringent rules (Oldert, 2015:141).

Table 2.4: Individual investor risk tolerance exposure evaluation

Asset Class	Conservative	Cautious	Moderate	Aggressive
Equities	0-20%	15-35%	30-50%	60-75%
Bonds	15-35%	15-35%	15-30%	10-20%
Cash	40-60%	30-45%	15-30%	5-10%
Property	5-25%	5-20%	5-15%	0-10%
Domestic	90-100%	85-95%	80-90%	60-80%
International	0-10%	5-15%	10-20%	20-40%

(Source: SIM, 2014)

In table 2.4 a demonstration of how risk tolerance asset allocation differs from conservative to aggressive. Currently, moderate/aggressive are the preferred asset class selections selected by pension funds for its diversification and ease of compliance with Regulation 28. Aggressive is not within the limitations set by Regulation 28. It is argued by the industry that aggressive should be the preferred choice investing for the long-term. These difference in asset allocation with preference to growth assets like equity local and offshore is where risk is classified. Risk tolerance is the degree of variability in investment returns that an individual is willing to withstand. Risk tolerance is an important component in investing. An individual should have a realistic understanding of his or her ability and willingness to stomach large swings in the value of his or her investments (Cairns, 2012). Balanced funds are graded according to individual investors risk appetite under moderate/aggressive and flexible funds in the moderate/aggressive allocations. The motivation for investing in one of these funds is therefore that the fund manager will make the necessary choice with regards to putting one's money in the right places as economic and market conditions change (Cairns, 2012).

2.6.1 Asset classes and risk

In table 2.5 are the discussion on what risk and return can be associated with different asset classes over time. When it comes to the various types of asset classes, it is important to familiarise the risk and rewards associated with each. Risk capacity refers to what sorts of losses you can handle without having meaningfully alter your investment asset allocation. Collective investment schemes earn returns from capital growth and income. However, whenever you invest there are risk involved. Generally speaking, investors are risk averse. In other words, they prefer certainty and try to avoid risk (Van Zyl *et al*, 2006:211). As a result, they require a greater return for greater risk and are prepared to accept a lower return for lower risk. This is known as the risk return relationship. Time is the application of time value of money the result of money invested which earns returns as time passes (Van Zyl *et al*, 2006:211).

Table 2.5: Asset classes risk reward

Asset Classes	Risk	Reward
Cash (Money Market)	Your capital is secured – this is a typical bank investment. This kind of investment returns the principal amount invested plus interest.	Interest is earned and reinvested.
Bonds (Government or Corporate Bonds)	Bonds pay an income over the life of the investment and returns the principal amount invested at maturity. Bonds are riskier than your typical bank investment mostly because of their longer term of repayment and their interest rates. They've also got a higher chance of default at the end of their term.(capital loss)	There's a possibility of a capital gain or a capital loss on the original invested amount. At the beginning of the investment contract there's a fixed interest rate over the full term of the investment. This interest is not reinvested but paid out on a quarterly, half-yearly or yearly base dependant on the contract.
Real Estate	The dividend return from real estate is mostly the rental income profit from the properties. Capital growth received are the price at which the real estate stocks trade in the market.	This income is not guaranteed, as tenants can default on their rental payments. Analysts tend to regard property as inflation-hedge, as the rental income usually increases with inflation.
Equities	Equities' capital growth and income depends on the earnings of the underlying shares, which is driven by the profitability of the underlying companies.	Profitability is uncertain, and investors have no guarantee that the company will generate an income. The prices of equities are affected by the interaction of demand and supply. Market sentiment and other market factors are role players. Investors will demand a greater return from equities.
Offshore	Offshore assets generate their return in currencies other than the South African rand. Investors' exposure to equities, bonds, real estate and cash.	They provide diversification away from the South African rand. Earning depend on the asset selected, interest, dividend, capital growth or loss.

(Source: Own research)

2.6.2 Asset class performance

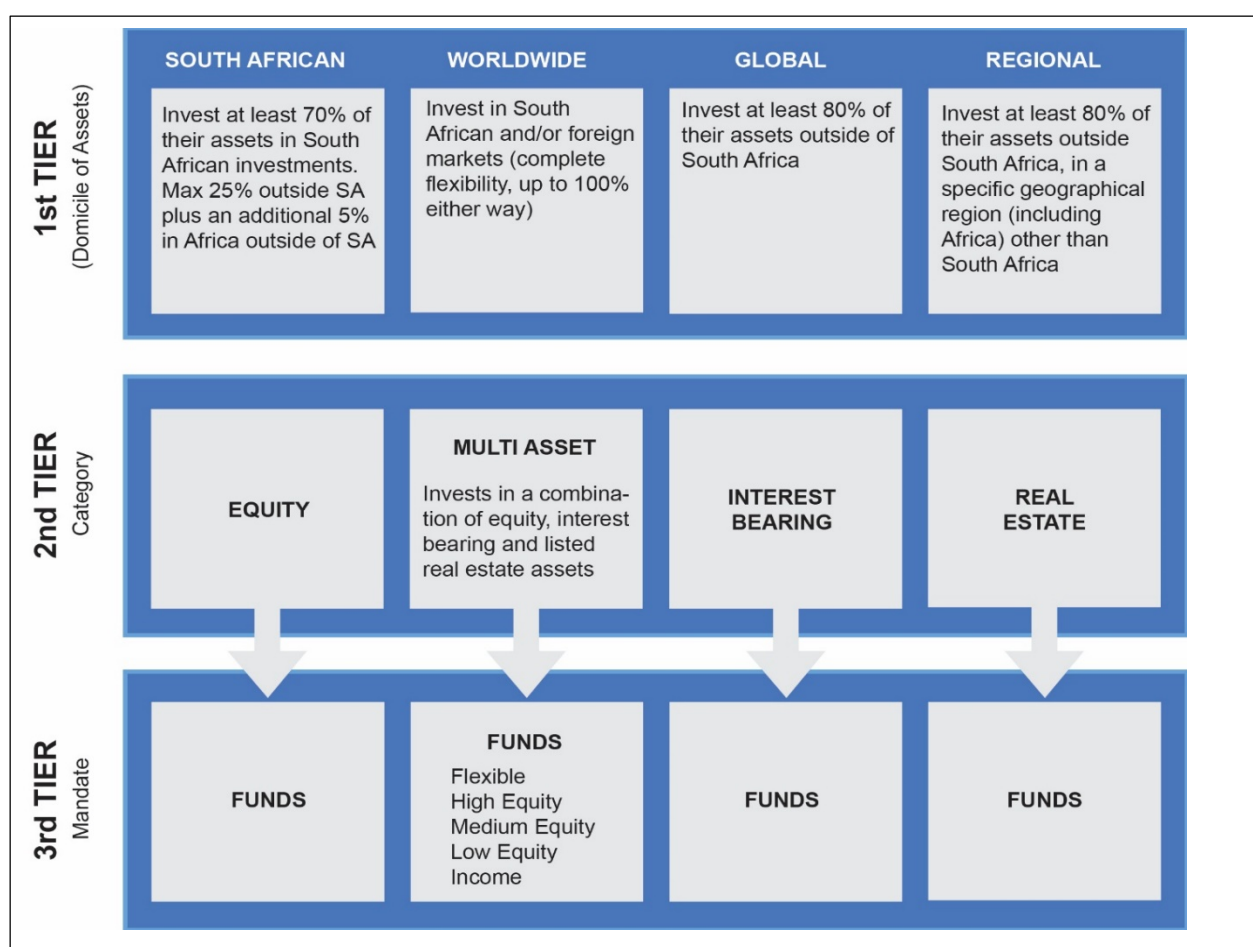
Asset classes are divided in growth assets and defensive assets. A good starting point in setting prudent return expectations is to look at the very long run asset class returns. Capital growth refers to the increase in the price of the units, which occurs as the values of the underlying investments, such as shares, rise. Of course, the underlying investments can also lose value, which can lead to capital losses. The income comes from two main sources: dividends and interest. Dividends are paid by shares, and interest is earned on the cash held in the portfolio (Bechard, 2015).

2.7 Overview of the South African Collective Investment

Sage Group launched the first truly South African unit trust in 1965. In June 14, 1965 when it was launched, the initial asset was worth just over R600 000. By the end of the year, there were two funds with a combined asset value of R3 million (Oldert, 2015:33).

The aim of the fund was to offer investors professional management of funds, low initial investment costs and diversification of portfolios.

As a result of the market crash of 1969, only a handful of new funds were launched between 1965 and 1980. By December 1982, the industry has grown to 13 funds by December 1999 a total of 271 funds had been launched. The last decade has also witness a significant rise in the number in 2014 there was more than 900 funds (Oldert, 2015:35).



(Source: Oldert, 2015)

Figure 2.5: Fund Classification devised by Association for Savings and Investment South Africa

Figure 2.5 indicate the four categories of funds investors can choose from, they include domestic, foreign, regional and worldwide. The classification standards are devised and maintained by ASISA and reviewed and adjusted from time to time to accommodate

development in the collective investment industry. In 2013 the Association for Savings and Investments SA (ASISA) announced changes to unit trust classification. The aim of the new classification standard is to remove much of the confusion that investors experience when faced with investment choices (Oldert, 2015:131).

Collective investment schemes are grouped into sectors to enable investors to compare funds with similar objectives and comparable benchmarks in terms of performance, risk and other measures. The new classification is based on the fund's investable universe and has been designed with three tiers as seen in Figure 2.5.

- Tier one tells the investor where their money will be invested, for example mainly within South Africa, offshore, or in which specific region (Domingo, 2015).
- The second tier explains what the fund invests in, for example in equity, bonds or a multiple asset classes (Domingo, 2015).
- The third tier gives more detail as to the asset allocation or the investable universe of the portfolio, for e.g. which equity sector (Domingo, 2015).

2.7.1 Financial market and performance

Financing business operations for public and private sector can come from two options either externally or internally (Megginson *et al*, 2010:11). Business can obtain external finance by selling bonds or ownership interest to investors on the market or by borrowing from financial institutions (Megginson *et al*, 2010:11). Business ownership interest is called equity meaning investors will know share in the profit and vote on important decisions. When a corporation sells equity to investors, it raises capital in a market transaction. Bonds are linked to a term for capital repayment and a fixed interstate but are also sold on the bond market exchange. In the financial market pension funds and collective investments schemes and private investors are the buyers of equity and bonds. In the next tables and graphs will be a discussion on the growth benefits from some of these assets with reverence to growth assets.

Table 2.6: Performance of asset classes in the South African market

Asset classes name	Performance			
Year	1	3	5	10
FTSE World Index (rand)	27.20%	29.70%	24.70%	14.30%
SA All Bond Index	7.02%	5.28%	7.64%	8.30%
SA Listed Property Index	20.20%	19.40%	19.00%	18.70%
SA Money Market (cash)	6.20%	5.60%	5.80%	7.30%
JSE ALL Share Index	4.79%	15.38%	14.64%	14.74%

(Source: Own research)

In table 2.6 above it provides a historical view of the asset classes mentioned in fund classifications and Regulation 28 performance over the last 10 years. Interesting to note is that the listed property was the best asset class performer over the last ten years. The second best performer was equity locally and offshore. Offshore asset class have to be evaluated with the depreciation or appreciation of the SA rand. This is the only asset class that is limited by Regulation 28, CISC and ASISA collective investment classifications.

Table 2.7: The last 20 years' performance of SA asset classes

Year	SA Equities	SA Bond	SA Cash	Global Equities (Rand)
1994	22.60%	-9.20%	11.40%	9.30%
1995	8.80%	29.70%	14.60%	24.40%
1996	9.30%	63%	16.30%	45.60%
1997	-4.50%	28.70%	17.00%	20.30%
1998	-10.10%	4.80%	17.30%	49.90%
1999	61.40%	29.40%	15.60%	31.30%
2000	-0.10%	19.20%	10.90%	6.70%
2001	29.00%	17.90%	10.20%	33.30%
2002	-8.10%	16.00%	11.60%	-43.10%
2003	16.10%	18.10%	12.30%	2.40%
2004	25.40%	15.20%	8.00%	-2.50%
2005	47.30%	10.80%	7.10%	23.20%
2006	41.20%	5.50%	7.40%	32.30%
2007	19.20%	4.20%	9.30%	6.40%
2008	-23.20%	17.00%	11.70%	-19.50%
2009	32.10%	-1.00%	9.10%	3.50%
2010	19.00%	15.00%	6.90%	0.40%
2011	2.60%	8.80%	5.70%	15.30%
2012	26.70%	16.00%	5.50%	21.70%
2013	21.40%	0.60%	5.20%	56.40%
Average Return 10Y	21.17%	9.21%	7.59%	13.72%
Best Performer over 20Y	9times	7times	none	4times
Total Return	357.27%	318.91%	220.69%	331.02%
Average Return 20Y	16.81%	15.49%	10.66%	15.87%

(Source: Craven, 2014)

Table 2.7 indicate capital growth received over 20 years from growth assets available for retirement investors but is limited according to Regulation 28 requirements. Global equity performance is calculated with the exchange rate appreciation and depreciation each

year. The figures in table 2.7 demonstrate that in the last 20 years SA and Global Equity have outperformed cash and bonds 13 times. The average return of SA equity over the last 20 years till end 2013 has been 16.81% a total of 137% higher than cash over 20 years. The last 10 years has been the best for SA equity with an average return of 21.17% and for 7 out of 10 years being the best performing asset class. Global and SA equity has outperformed average inflation of 6.35% with 9.52% and 10.46% respectively over the last 20 years. Short-term cycles are more prone to be influence by non-fundamental issues such as over-optimism, perceptions, greed, fear and panic rather than reality (Knee, 2012). By using the long-term history trends and no short-term noise growth assets have much less risk.

2.8 Summary

The purpose of this chapter was to provide a literature overview of pension fund industry role influence and relevance to the study. From the above information it is evident that South Africa has a well-developed and regulated financial services sector that is focussed on members' protection. Government through national treasury has been revising legislation in the financial services sector that brought about changes for pension funds and pension investing. Government are focused on providing enough tax benefits to individual tax payers to assist in their pension savings. The tax savings within pension funds investment growth (capital, dividend and interest) will influence performance over the long-term. Tax relieve also on annual payments and lower tax rates at retirement are all steps by government to let individuals save for them self. Pension funds have grown in the last ten years, member's numbers and value invested, they have doubled. Pension funds play a critical part in the economy by investing in bonds, equity and providing income for its members. By individuals saving for themselves they are lowering the burden on government to provide an old age grant. As was evident in the information in this chapter government cannot uphold income payments to all citizens with an increase of more than a hundred thousand new applicants on average a year. The present individual pension investor has not saved enough for retirement or revised their original investment fund selection annually. With defined contribution funds dominating the pension fund industry in the private sector. Defined contribution members have to make investment fund choices on their own. The investment growth will influence their retirement value. New trends are umbrella funds that are cost driven and provide default pension options like balanced funds and life stage investments Restrictions on pension

fund asset allocation are not just relevant in South Africa it is all around the world and in developing countries limitations do exist in developed countries they have no limits on any asset class. Different asset classes have different risk associated with them and different forms of return Growth assets was the best performing asset class over the last 20 years and provide capital growth and dividend returns. Collective investments are used for their ease of doing business they are managed by fund managers that have to invest in selected assets with fund classifications and mandates governing them this is a preferred choice as investment options from pension funds. Regulation 28 are the restriction limitation on asset class selection investment value in pension funds and need to be adhere to by all. Asset class restrictions are imposed on growth assets that traditionally hold more risk. Regulation 28 are for the whole pension funds industry funds using collective investment option and those doing the fund management on their own pension fund. Collective investment funds just have additional limitations that are provide by Cisca and ASISA's classifications and mandate of funds. Balanced funds are the preferred choice of majority of pension funds because of its compliance to Regulation 28 and the responsibility of asset allocation are with the fund manager. Collective investments have asset manager companies and fund managers that manage the funds for the company. Balanced and flexible funds are both moderate/aggressive investments that are for the long-term. Selecting balanced funds versus flexible funds are the best indication for performance evaluation with the implication of Regulation 28. The classification of collective investments funds for balanced and flexible are the same the SA Multi asset difference are in their mandate for allowed asset allocation and balanced need to comply to Regulation 28 and to Cisca. And the most restricted asset allocation need to be adhere to. Defensive asset does not perform better as inflation over 10 years. The best asset class are listed property offshore equity and SA equity over 10 years. Interesting is 20 years SA equity including listed property are the best asset class. In the next chapter the empirical research is done to investigate the research objective as describe in chapter 1.

CHAPTER 3: EMPIRICAL RESEARCH

3.1 Background

Regulation 28 had always prescribed the maximum allowable investment into particular asset classes at fund level, while the amendment in 2011 meant that the restrictions would be imposed at an individual investor level (Wentzel, 2015). The prescribed maxima were aimed at ensuring South Africans were prudent when investing their retirement savings and protecting the member. One of the aims of any government is to ensure its citizens have a dignified retirement and for most citizens, the retirement nest egg is their largest asset. The Pension Funds act lays down the criteria that collective investments schemes must meet in order to be considered suitable for use in pension funds, attempting to lower risk to members by putting limits on asset allocation. This necessitates retirement product providers to allow investors to select from a range of collective investment funds to build their retirement values. According to Melissa Wentzel (2015), legislation like Regulation 28 is yet another reason for people to underfund their retirement by not taking enough risk at a young age. Investors looking to achieve long-term growth have one advantage namely time. The use of collective investment funds as investment is quite common in South Africa, especially by private sector pension funds. Regulation 28 allows the use of these investments vehicles, but on the basis that the underlying investments conform to the regulation. What defines a long time horizon as it allows investors to have a larger risk budget and as the most reliable investment strategy for investors looking to achieve above average results (Koekemoer, 2014c).

Multi asset allocation funds have become a vital investment option for individuals because of diversification (Bechard, 2015). Multi asset collective investment funds invest in a broad range of assets including shares, bonds, money market instruments and listed property locally and offshore. The manager of multi asset funds decides which assets they believe will produce the best returns and then balances accordingly, still aiming to maximise capital and income growth over the long-term. Because balanced funds are diversified across asset classes they are less volatile than single assets funds (Dass, 2013). SA multi asset high equity collective investment funds (balanced funds) are Regulation 28 compliant. The average balanced fund (taking into consideration that most balanced funds can be used as pension fund savings vehicles and are Regulation 28 compliant)

does not maintain maximum exposure to equities as managers often take tactical asset allocation views in an attempt to time the markets (Cairns, 2015b).

Flexible funds are multi asset funds free to invest in any combination of assets. They are all classified under SA funds and thus are not allowed to invest more than 25% offshore and have to hold 70% of the assets locally. The difference between balanced and flexible is in the mandate. Flexible funds can invest all assets in one asset class to maximise return at different times. The mandates of flexible funds together with the large degree of discretion enjoyed by the fund manager, means that flexible funds have a wide range of risk/return profiles (Bechard, 2015). The difference between the two is the limitations on listed property and equity balanced fund limited to 75% equity, 25% property, and none for flexible funds.

All registered collective investment funds have a mandate that they receive when registering the fund. Mandates place a fund in a specific category for their investors and the industry can compare funds with the same mandate and benchmark. Because of mandates funds cannot be blended together for pension investing. For instance, a pure equity fund, can have 10 percent in property. Practically speaking, it might have nothing. When the asset allocation is tested against Regulation 28 limitations you will be limited just for an additional 15% in property because of the mandate of the fund. The same fund could also have 25% offshore exposure but presently have nothing. The limitation on Regulation 28 will not allow more allocation although the client could have none currently (Wentzel, 2015). Fund mandate and category make it very difficult for pension funds to manage thus they prefer balanced funds that are compliant with Regulation 28.

3.2 Research Objective and Methodology

Considering the above, collective investment funds mandate and category do already assist with diversification. Mandates on funds determine categories of risk and reward over the long-term. The primary research question under consideration for this study could therefore be formulated as follows:

Do balanced funds outperform flexible funds giving the current pension fund restrictions?

In answering this question, the primary objective is to determine to which extent balanced

funds do indeed outperform flexible funds indicating the effectiveness of Regulation 28 implementation. The limitations of Regulation 28 that's under discussion is the limits on growth assets (equity and listed property), Growth assets objectives are to achieve investment returns (including capital growth and income), that outperform inflation on a real return basis over long-term. Markets are not static new opportunities arise as companies, industries, countries and asset classes develop and contract. Relative valuation levels between local, developed markets and other emerging markets assets, as well as between equities, bonds and cash, change over time (Koekemoer, 2015).

Portfolio theory, exploring the optimal allocation of wealth among different assets in an investment portfolio, based on the twin objective of maximising return while minimising risk, owes its mathematical formulation to the work of Harry Markowitz in 1952, for which he was awarded the Nobel prize in economics in 1990 (Capinski & Kopp, 2014:1). Financial investors base their activities on the expectations that their investments will increase over time, leading to an increase in wealth. Over a fixed time period, the investors seek to maximise the return on the investment, that is, the increase in assets value as proportion of the initial investment (Capinski & Kopp, 2014:3). Returns reflect the efficiency of an investment risk that is concerned with uncertainty. The balance between these two is at the heart of portfolio theory: maximising returns at a given level of risk and minimising risk at a given level of expected return.

3.3 Design of research

3.3.1 Population

This study related to collective investment funds, namely SA multi asset high equity (balanced) category and SA multi asset flexible (flexible) category. Multi asset balanced funds had a population of 137 registered collective investment funds and multi asset flexible funds had 71 according to funds data at the end of December 2014. The total population was 208 funds within the two categories. All funds of funds or multi manager funds were excluded from the two categories because majority of them are just reinvesting in excising funds that already have been used and are not true asset allocators. The total multi managed funds and fund of funds from the two categories were 86. The second analysis was done on funds over R1 billion. From the flexible category only 9 were above the value, while 19 from the balanced category were above the value.

The next analysis was on asset allocation; with exposure in all asset classes of the 28 only 3 was flexible income funds in flexible categories. Funds with track records of 10 years and more were limited to 5 in the flexible categories and 11 in the balanced categories.

3.3.2 Type and size of sample

The population for this study was segmented across the five largest funds by assets under management and with track records of 10 years in both categories. Based on the segmentation criteria supplied a convenience sample was used for the study.

The JSE All Share index was used as the benchmark. The data used range from January 1960 to date. This included all the biggest bear and bull markets in history. The same benchmark is used to measure the funds on risk and reward. Each fund has its own benchmark target but that is for performance fees only. All the fund data that were, used were up to the first October 2015. All ratio figures were annualised on the last 36 months' total returns.

3.3.3 Gathering data

Data was gathered from fund factsheets from asset manager companies and profile data FE analytics program as well as direct contact with the asset manager company². The five funds that were selected from the SA multi asset high equity (balanced) category, represented 18% of the total AUM by the collective investment industry according to ASISA in March 2015, and 80% of the SA multi asset high equity category. The multi asset flexible categories five largest funds represented almost 40% of the category. The flexible fund category is home to an eclectic mix of strategies. Some flexible funds are income funds and multi asset portfolios that want an unconstrained mandate (Cairns, 2015a). That shows that selected funds are asset allocation funds that do invest over time in all asset classes locally and offshore.

3.3.4 Analysis of data

All data was analysed with help from FE analytics. Performance measurement of managed funds may be followed in two analyses consisting of return of portfolio's and reward to risk measure (Capinski & Kopp, 2014:4). Risk evaluation ratios quantify the risk by

² All data used available in Annexure B

volatility and represent the risk with simple numbers. The three commonly accepted risk ratios are beta, r-squared and standard deviation (volatility) (Vysniauskas & Rutkauskas, 2014). Performance evaluation ratios quantify the reward for a modern portfolio. The two commonly accepted rewards ratios are Sharp ratio and Alpha.

The asset allocation measure was a mean comparison of the five balanced funds versus the five flexible funds. Performance was a mean comparison with balance and flexible funds this will also be discussed on a fund basis as a recommendation.

3.3.5 Interpretation of results

For the purpose of interpretation table's reports and graphs from balanced funds and flexible funds will be used. The data from the different funds will be obtain to and discussed according to the five analyses: fund information, risk evaluation, return evaluation, annualised performance, asset allocation and research results. Interpretation was not only made from data obtained in a specific section, but also across the different sections.

3.4 Portfolios composition

This portfolio composition indicated below, provides the fund information of the five different funds in the balanced and flexible categories:

3.4.1 South Africa multi asset high equity funds (balanced)

Table 3.1: Fund information of balanced funds

Fund Manager	Fund Administrator	Fund Name	Fund Launch Date	Fund Size	Industry sector
Allan Gray Asset Managers	Allan Gray Collective investments	Allan Gray Balanced Fund	1/10/1999	107 billion	South Africa Multi asset High equity
Coronation Asset Mangers	Coronation Collective investments	Coronation Balanced Fund	15/04/1996	83 billion	South Africa Multi asset High equity
Foord Asset Managers	Foord Collective investment	Foord Balanced fund	31/08/2002	48 billion	South Africa Multi asset High equity
Investec Asset Managers	Investec Collective investments	Investec Opportunity Fund	30/04/1997	37 billion	South Africa Multi asset High equity
Old Mutual Asset Mangers	Old Mutual Collective investments	Old Mutual Balanced Fund	1/3/1994	15 billion	South Africa Multi asset High equity

(Source: FE Analytics, 2015)

In table 3.1 above it provides the fund information of the selected balanced funds that has qualified from the criteria set above. Information indicated are fund size, fund manager, asset management company, launched date and classification section. All funds selected are Regulation 28 compliant balanced funds. The results indicate that there is one fund older than 20 years Old Mutual. It is interesting that it is also the smallest in fund size, which can perhaps be contributed to performance. Allan Gray asset managers are the second largest asset manager in SA, and have the largest fund in the collective investment schemes industry with a fund size of R107 billion. This twice the total value of all multi asset flexible funds in SA. As a result of their size, large fund managers have a much smaller universe of shares in which to invest because they cannot hold small- or midcap stocks. Only 1% of Allan Gray balanced is equal to R1 Billion this is the total market cap of majority of small cap companies. The asset manager companies

represented above are the largest asset managers in SA and receive the majority of inflows per year according to Morningstar ratings (Anon, 2014). The first four funds is the largest collective investment funds in SA according to Morningstar and receive the majority of inflows per year of all multi asset fund categories. The majority of the funds invested in these Regulation 28 compliant categories are retirement product savings (Cairns, 2015b).

3.4.2 South Africa multi asset flexible funds

Table 3.2: Fund information of flexible funds

Fund Manager	Fund Administrator	Fund Name	Fund Launch Date	Fund Size	Industry sector
PSG Asset Managers	PSG Collective investments	PSG Flexible Fund	02/11/1998	7.3 billion	South Africa Multi asset Flexible
Old Mutual Asset Managers	Old mutual Collective investment	Old mutual Flexible Fund	20/08/1996	4.2 billion	South Africa Multi asset Flexible
36 One Asset Managers	MET Collective investment	36 ONE Flexible Opportunity Fund	05/9/2005	2.2 billion	South Africa Multi asset Flexible
Centaur Asset Managers	Boutique Collective investment	Centaur Flexible Fund	01/12/2004	1.3 billion	South Africa Multi asset Flexible
Visio Capital Asset Managers	Boutique Collective investment	Visio Actino Flexible fund	01/4/2004	1.2 billion	South Africa Multi asset Flexible

(Source: FE Analytics, 2015)

In table 3.2 above it provide the fund information of the selected flexible funds that has qualified from the criteria set above. The information indicates fund size, fund manager, asset Management Company, launched date and classification section. All funds selected under flexible funds are non-compliant to Regulation 28 but are asset allocation fund. It is quite noticeable that not one of the funds are worth more than R10 billion. This is due the fact that flexible funds are not that well known and understood. All the funds are older than 10 years and the oldest and also the second largest one, is Old Mutual at 18 years. The flexible category is dominated by small asset managers (Boutique managers). This may be due to the fact that small asset managers are more flexible between different

asset classes and can outperform by investing in mid-cap or small-cap stocks. PSG flexible are the largest fund in the category. This category has two of the smallest funds in the research sample.

3.5 Portfolios risk evaluation

Risk does not only have one definition and also not a right answer. This is the concern pension fund regulators have with measured risk. Investments that have historically offered the highest average returns, have also displayed the greatest volatility. The positive relationship between return and volatility in the historical data makes sense in a world populated by risk-averse investors (Megginson *et al*, 2014:195). In this section the focus was on analysing the funds selected from balanced - and flexible funds.

3.5.1 South Africa multi asset high equity funds (balanced)

Table 3.3: Risk evaluation of balanced funds

Risk Evaluation			
Fund Name	Beta	r-Squared	Volatility
Allan Gray Balanced fund	0.56	0.68	7.40
Coronation Balanced fund	0.61	0.80	7.54
Foord Balanced fund	0.52	0.76	6.57
Investec Opportunity Fund	0.46	0.65	6.33
Old Mutual Balanced Fund	0.58	0.81	7.03
Average (mean)	0.54	0.80	6.66
Benchmark JSE All Share	1	1	10.96

(Source: FE Analytics, 2015)

Table 3.3 provides a table summary on the statistical measurements for risk for using beta, r-squared and volatility. The mean of all selected balanced fund are calculated for use in the research summary.

Investment risk is exposed to systematic (none diversifiable) risk and unsystematic (diversifiable) risk (Van Zyl *et al*, 2006:218). Beta measures the sensitivity of an investment's return to fluctuations with overall market returns measuring systematic risk.

The results are consistent for all balanced funds beta is less than 1 with a mean of 0.54 meaning a low systematic risk (volatility in the stock market have a lesser effect on balanced fund value movement). The highest result was that of Coronation balanced fund 0.61 which is the closest to market volatility. It provides some evidence that coronation might be the biggest holders of equity. Investec has the lowest beta of 0.46, giving evidence on lower holdings of equity that will be discussed with asset allocations.

An r-squared statistical measure explains the movement of the fund with the benchmark. One use of the coefficient of determination is to test the goodness of fit of the model. It is expressed as a value between zero and one. A value of one indicates a perfect fit, a value of zero, on the other hand, would indicate that the model fails to accurately model the dataset. For this study the all share index's (JSE-Alsi) average return from 1960 was benched. The results from the table are from 0.65 to 0.81 with an average of 0.80 indicating strong evidence that balanced funds do not have the same risk as the market, low beta, but from a performance analysis it does come close to the performance of the market with less systematic risk. The highest result was Old Mutual balanced fund with (0.81) and it has the second highest beta.

Volatility (Standard Deviation) refers to the amount of uncertainty or risk concerning the size of change in investment value (the distance of performance over time away from the average return) High volatility means that returns change dramatically over a short time, while lower volatility means that returns do not fluctuate dramatically, providing a steady return over a period of time (Levine, 2011). This risk measure is to indicate unsystematic risk witch the fund manager can manage with diversification. The highest volatility was that of Coronation balanced fund of 7.54%. The lowest were that of Investec opportunity 6.33% the determinate of this difference will be analysed to identify growth assets holding. The mean was 6.66% much lower than the volatility of the benchmark of 10.96% indicating low unsystematic risk meaning diversification are used. The statistical significance of the data set is that the low volatility, low beta and close r-squared mean good diversification to lower risk. This is what regulators of Regulation 28 would prefer to protect investors in the medium term of three years.

3.5.2 South Africa multi asset flexible funds

Table 3.4: Risk evaluation of flexible funds

Risk Evaluation			
Fund Name	Beta	r-Squared	Volatility
PSG Flexible Fund	0.55	0.58	7.86
Old mutual Flexible Fund	0.61	0.77	7.61
36 ONE Flexible Opportunity Fund	0.66	0.78	8.14
Centaur Flexible Fund	0.56	0.68	7.36
Visio Actino Flexible fund	0.66	0.69	8.67
Average (mean)	0.61	0.84	7.27
Benchmark JSE All Share	1	1	10.96

(Source: FE Analytics, 2015)

In table 3.4 a summary on the statistical measurements for risk using beta, r-squared and volatility is provided. The mean of all selected flexible fund are calculated for use in the research summary.

The results are consistent for all flexible funds with a mean beta of 0.61. The funds are closer to 1 indicating a closer similarity to systematic risk. In the above portfolio an average beta of 0.61 has historically moved 61% for every 100% move in the market up or down. The highest result was that of 36 One flexible opportunity fund and Visio Actinio flexible fund 0.66 respectively which is the closes to market movement. It provides strong evidence that the above - mentioned funds both might be the largest holders of growth assets. PSG flexible has the lowest beta of 0.55, providing evidence of a lower holding of equity.

The r-squared statistical measure results from the summary where a difference from 0.58 to 0.78 as noted with an average of 0.84 indicating strong evidence that flexible funds do movement with the benchmark indicating more risk supported by a higher beta. The highest result was 36 One flexible opportunity fund with 0.78 also hold the highest beta.

The highest volatility was that of Visio Actinio flexible fund with 8.67%, and the lowest was Centaur flexible fund with 7.36% versus the benchmark. The asset allocation will be investigated to establish if these funds hold the highest growth assets. The mean was

7.27% which is much lower than the volatility of the benchmark indicating the low unsystematic risk. This also confirms that all the funds do diversify between asset classes. Volatility of Visio Actinio flexible fund was the highest as well as a high beta scores. 36 One flexible opportunity fund had also the highest beta with only an 8.14%volatility. Providing strong evidence that selection of asset does influence risk higher beta for instance equity. The lower volatility indicates good diversity by flexible funds with different sectors of the market it is also diversification of risk.

3.6 Portfolio return evaluation

Time value of investing is the result of investments that earn returns over time. Economists refer to the increase in purchasing power as something that an investment provides as its real return (Megginson *et al*, 2010:126). Receiving investment returns are the reason why pension savers invest, but returns need to be higher than inflation and also reward for the risk taken. Performance need to be indicated to assist in the statistical relevance of risk/reward.

3.6.1 South Africa multi asset high equity (balanced)

Table 3.5: Return evaluation of balanced funds

Return Evaluation		
Fund Name	Alpha	Sharp ratio
Allan Gray balanced fund	-0.47	1.54
Coronation Balanced fund	-0.04	1.67
Foord Balanced fund	-0.87	1.68
Investec Opportunity Fund	-2.48	1.62
Old Mutual Balanced Fund	-1.88	1.57
Average (mean)	-1.15	1.69
Benchmark JSE All Share		1.20

(Source: FE Analytics, 2015)

Table 3.5 provides a table summary on the statistical measurements for return above benchmark on returns of all balanced portfolios. Alpha is a risk adjusted measure of the active return of an investment. It is the difference between an investment's expected return, based on its benchmark, and the actual returns achieved (Oldert, 2015:105). The

best performer was Coronation balanced fund with a -0.04% performance against the benchmark. The worst Alpha performer was Investec's flexible opportunity fund with -2.48%. The statistical significance of this indication is that the benchmark is the equity market and a lower Alpha is evidence of more diversification and under performance. The mean result on Alpha indication -1.15% this provides evidence that none of the funds provide Alpha performance.

The Sharpe ratio is the measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations. It was developed by Nobel Laureate William F. Sharpe. The Sharpe ratio is the average return earned in excess of the risk free rate per unit of volatility or total risk (Anon, 2015) The main results indicate that the highest sharp ratio achieved was Foord balanced fund which receives the highest return without taking on more risk. The results of the five funds are consistent, indicating that the limitations on the asset allocation are the same for all balanced funds. Allan Gray balanced achieved sharp ratio was 1.54 the lowest of the five funds meaning more risk in the fund do not provide better returns. The average risk adjusted return of balanced funds of 1.69 is higher than the 1.20 SA equity benchmark data indicating better returns on risk taken.

3.6.2 South Africa Multi asset flexible funds

Table 3.6: Return evaluation of flexible funds

Return Evaluation		
Fund Name	Alpha	Sharp ratio
PSG Flexible Fund	2.18	1.75
Old mutual Flexible Fund	0.82	1.84
36 ONE Flexible Opportunity Fund	2.68	1.95
Centaur BCI Flexible Fund	4.69	2..38
Visio Actino Flexible fund	1.30	1.59
Average (mean)	2.19	2.08
Benchmark JSE All Share		1.20

(Source: FE Analytics, 2015)

Table 3.6 provides a table summary on the statistical measurements for the return above the benchmark of selected balanced funds. By stock picking and other fund manager

risks, active fund management often increases the overall riskiness of a fund at least compared to its benchmark. Alpha from all selected funds out performed the benchmark with a mean of 2.19% above the benchmark performance. Centaur flexible fund with a 4.69% performance was the highest with the lowest volatility of all the funds. The worst performer is Old Mutual flexible fund with only 0.82% better performance than the benchmark. Interesting was the fact that this fund had a high beta and r-square meaning stock selections might be wrong. The statistical significance of this indication are the benchmark is the equity market and a lower Alpha are evidence of more diversification. The mean result on Alpha indication 2.19% above the benchmark of SA equity meaning better stock selection.

The main results indicate that the highest sharp ratio achieved was Centaur flexible fund it receives the highest return without taking on more risk. Visio Actinio flexible sharp ratio was 1.59 the lowest of the five funds however it has the highest volatility. The results is still rewarding to take more risks. The mean risk adjusted return for flexible funds of 2.08 is much higher than the 1.20 SA equity benchmark data indicating better reward on risk taken.

3.7 Annualised performance

The total gain or loss on an investment over a given time is called the investment's return. The return on an asset includes the change in its value (either gain or loss) as well as any cash distributions (such as dividend and interest payments) (Megginson *et al*, 2015:164). The statistics used in the tables below, were calculated on an annualised performance base and not a cumulative performance base. This mean that all expenses have been deducted for instance portfolio manager fees and performance fees from asset managers, proving a data set after administrative fees.

3.7.1 South Africa multi asset high equity (balanced)

Table 3.7: Annualised performance of balanced funds

Annualised Performance				
Years	1	3	5	10
Fund Name				
Allan Gray Balanced Fund	11.62%	14.91%	14.36%	14.12%
Coronation Balanced Fund	5.90%	15.34%	14.10%	14.31%
Foord Balanced Fund	11.73%	14.51%	14.33%	14.11%
Investec Opportunity Fund	9.50%	12.90%	12.10%	13.90%
Old Mutual Balanced Fund	7.30%	13.50%	12.80%	12.09%
JSE Alsí	4.79%	15.38%	14.64%	14.74%

(Source: FE Analytics, 2015)

Table 3.7 indicates the performance results of all balanced funds in the study over a one, three, five and ten-year period. The reason for more than 5 years is to have more volatile years in the data measurement. The results between all the funds are consistent during years 5 and 10. They only differ 2.23% between the highest and the lowest performance in both periods. It is quite noticeable that the balanced funds are long-term focused funds, for years 5 and 10 all funds are closer to the benchmark. This can be due to outperformance of the funds in difficult market conditions better than market confirming diversification. Evidence from year one shows that all the funds outperformed the benchmark indicating that the diversification strategy that was followed worked. It highlights the low beta statistic for balanced funds. The best outperformance was Foord balanced fund, with a return of 11.73% over 1 year with a 6.94 % outperformance over benchmark. It is quite noticeable that the best performing fund was Coronation balanced fund in two of the four years, namely in both year 3 and year 10. It also had the highest sharp ratio and volatility indicating risk rewarding performance. The largest fund with assets under management is Allan Gray balanced-, while Foord balanced fund shows the least difference in performance from years 3 to 10.

3.7.2 South Africa multi asset flexible fund

Table 3.8: Annualised performance of flexible funds

Annualised performance				
Years	1	3	5	10
Fund name				
PSG Flexible Fund	11.53%	17.56%	15.31%	15.61%
Old Mutual Flexible Fund	11.30%	16.20%	13.90%	13.40%
36 ONE Flexible Opportunity Fund	13.45%	18.06%	19.95%	19.52%
Centaur Flexible Fund	10.21%	20.07%	20.04%	19.50%
Visio Actino Flexible Fund	12.22%	16.68%	19.27%	16.98%
JSE Alsi	4.79%	15.38%	14.64%	14.74%

(Source: FE Analytics, 2015)

Table 3.8 indicates the performance results of all flexible funds in the study over a one, three, five and ten-year period. The reason for flexible funds is that they are non-compliant to Regulation 28 and thus only have the limit on category mandate. The results are consistent in years 5 and 10. The funds only differ 6.10% in year 10 and 6.14% in year 5 between the highest and the lowest performance. It is quite noticeable that flexible funds are performance focused and not long-term benchmark outperformance. All the funds in year 1 and 3 outperformed the JSE Alsi while in year 5 and 10 only one fund did not outperform the benchmark namely Old Mutual Flexible fund. Evidence indicates that all the funds outperformed the benchmark in year one, indicating that they do diversify. The best performance over the benchmark was the four boutique asset managers which outperformed in years 1, 3, 5 and 10. The 36 One flexible opportunity fund was the best performing fund and is also the earliest launched fund. Interesting to notice from the above portfolios, is that all the funds are consistent in performance from years 5 to 10, just as the balanced ones.

3.8 Asset Allocation

Investments are conventionally divided into five asset classes. The different characteristics of the five main assets make them suitable for different investment

objectives and have a direct impact on the characteristics of the collective investment schemes which invest in them (Oldert, 2015 117).

It is not enough to know the different asset classes and their characteristics, it should also be understood how they work together. Research has shown that the way in which an investor spreads investments between asset classes is the most important decision that an investor can make. It affects overall performance far more than market timing or individual investment selection (Botha *et al*, 2008:457). Apart from improving performance, correct asset allocation may also reduce risk (Botha *et al*, 2008:457).

3.8.1 South Africa multi asset high equity (balanced)

Table 3.9: Asset allocation of balanced funds

Asset Allocation					
Fund name	SA Equity	Offshore Equity	Bonds	Property	Cash
Regulation 28 limitations	Limit equity 75%(SA & Offshore)	Offshore 25%	100%	25%	No Limit
Allan Gray Balanced Fund	50.76%	23.57%	11.64%	1.77%	11.05%
Coronation Balanced Fund	44.12%	24.80%	14.34%	12.77%	3.49%
Foord Balanced Fund	41.55%	20.80%	11.28%	2.45%	23.55%
Investec Opportunity Fund	35.83%	27.53%	17.74%	2.86%	15.43%
Old Mutual Balanced Fund	39.18%	24.27%	21%	3.75%	11.85%
Mean 30/09/2015	42.29%	24.19%	15.20%	4.71%	13.07%
Mean 01/01/2013	46.21%	22.26%	11.30%	3.89%	15.13%

(Source: FE Analytics, 2015)

Table 3.9 is a tabled report on the asset allocations of all the balanced funds in the portfolio of multi assets high equity. It is noticeable that Allan Gray's balanced fund has the largest equity exposurer but one of the lowest beta and r-squared statistics. To get a better understanding it should be noticed that they are the only balanced fund that lowers their risk by doing hedging. Hedge equity is 2.30% SA equity, 10.20% offshore equity and

5.60% commodities holding making direct equity holding less with 18.10% hedge equity. This is just to protect the fund in volatile markets through more diversification. The results from the table of asset allocation are that all the funds are within the limitation of Regulation 28. Allan Gray balanced fund is the largest holder of equity with a total of 73.84% including 23.57% offshore equity. Coronation balanced fund is the second largest holder of equity and the largest holder of growth assets listed property at 12.77%, SA equity is at 44.12%, and offshore equity is at 24.80% bringing the total growth assets to 81.69% of the total portfolio. It is quite noticeable that Foord balanced fund is the largest holder of cash at 23.55% of the total portfolio with the lowest beta.

Investec opportunity fund is over their limit on offshore equity, but according to E. Craven of retail distribution inland at Investec, it happens if the share price grows while the rand depreciates at the same time. If this happens, they do have time to rebalance in line with the limitations set, but market conditions repeat, correct and rebalances independently. From the above model it is interesting to notice that bonds holdings is higher than listed property providing some evidence on long-term benchmark focus so to protect in the short-term. The results from the mean asset allocation are indicate that the equity exposurer has change over the last 2 years, to 1.99% less with SA equity decreased and offshore increased. Listed property has also increase somewhat. Cash has decreased and bonds have increased with 3.90%. None of the totals of the funds count up to a 100% because other investment assets such as derivatives, unlisted equity and futures is not part of the study.

3.8.2 South Africa multi asset flexible fund.

Table 3.10 Asset allocation of flexible funds

Fund manager	SA Equity	Offshore Equity	Bonds	Property	Cash
Regulation 28 limitations	Limit equity 75%(SA & Offshore)	Offshore 25%	100%	25%	100%
PSG Flexible Fund	37.19%	24.41%	0%	1.26%	37.14%
Old mutual Flexible Fund	50.34%	24.08%	14.24%	6.4%	4.94%
36 ONE Flexible Opportunity Fund	68.06%	15.98%	0%	6.14%	9.82%
Centaur Flexible Fund	46.41%	19.65%	12.53%	3.21%	12.83%
Visio Actino Flexible fund	78.53%	5.75%	0%	7.58%	8.14%
Mean 30/09/2015	56.11%	17.97%	5.41%	4.92%	15.51%
Mean 01/01/2013	68.52%	13.17%	2.32%	1.86%	13.68%

(Source: FE Analytics, 2015)

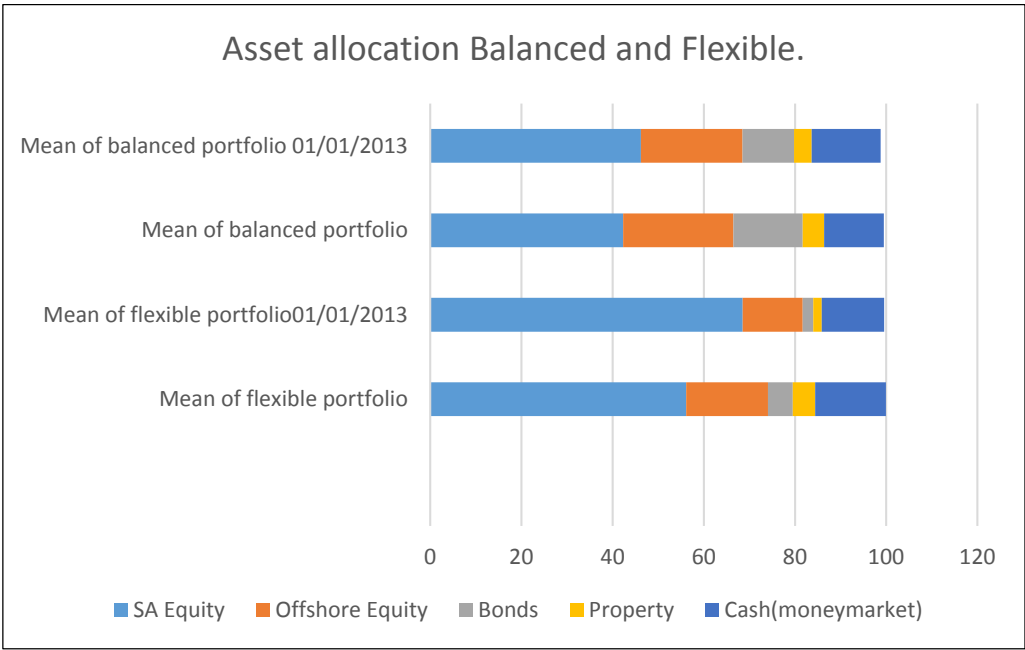
Table 3.10 is a table report on the asset allocation of all the flexible funds in the portfolio of the multi assets flexible category. The results from the table of assets allocation show that all the funds are non-compliant funds. The results indicate two funds that are not compliant with the limitations or the exposure to equity Visio Actinio flexible fund holds 78.53% of the total portfolio in SA equity and 5.75% in offshore equity. The 36 One flexible opportunity fund is the second largest holder of equity with 68.06% of its total portfolio in SA equity, and 15.98% in offshore equities. PSG flexible fund holds more than a third in cash, it is also the largest of all the funds and holds no bonds. Old Mutual flexible fund and Centaur flexible fund are the only holders of bonds. All flexible funds hold listed property. The largest exposure is Visio action flexible fund (long-term asset classes with high yields). From the table above it is noticeable that majority of the funds hold growth assets or cash. The results from the mean asset allocation indicate that the equity holding has decreased over the last 2 years with 7.61% in total. Listed property has increased with 3.06%, bonds with 3.09%, and cash with 1.83%. This indicating that risk assets such as SA equity has decreased with 12.41% and is evident of risk being lowered. Cash and bonds have also increased. Old Mutual flexible fund, Centaur flexible fund and PSG flexible fund are the three funds resembling a balanced fund asset allocation. None of the

totals of the funds add up to a 100% because other investments assets such as derivatives, unlisted equity and futures are not part of the study.

3.9 Research Results

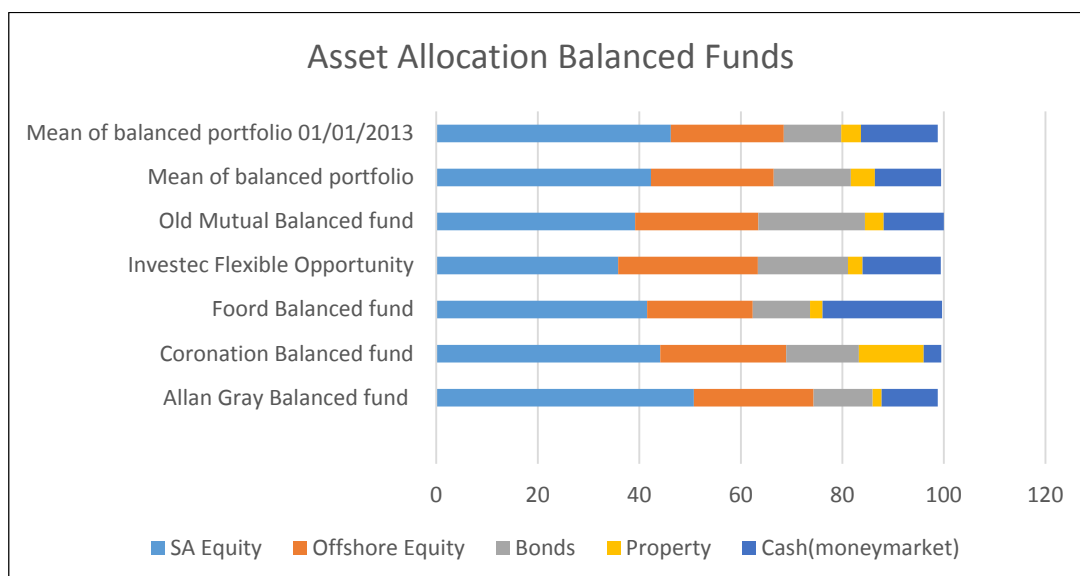
In the above research all significant statistics were evaluated to compare balanced funds with flexible funds by using mean statistics. Data that had been compared were risk, return, performance asset allocation and outperformance. Furthermore, any shortfall in returns will impact on the value of pension fund at retirement. A 1% increase in annual returns will result in 30% additional return over a 30 years' term (without compounding interest or inflation calculations).

3.9.1 Asset allocation and risk evaluation.



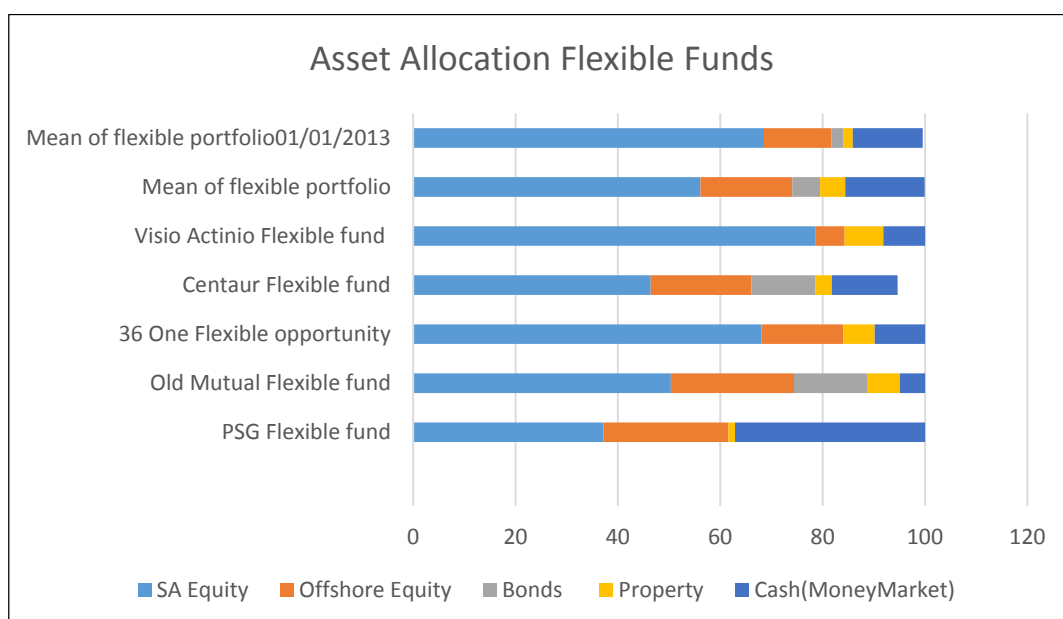
(Source: Own research)

Asset allocation Balance Funds



(Source: Own research)

Asset allocation Flexible Funds



(Source: Own research)

Graph 3.1 Mean asset allocation Balance and Flexible Funds

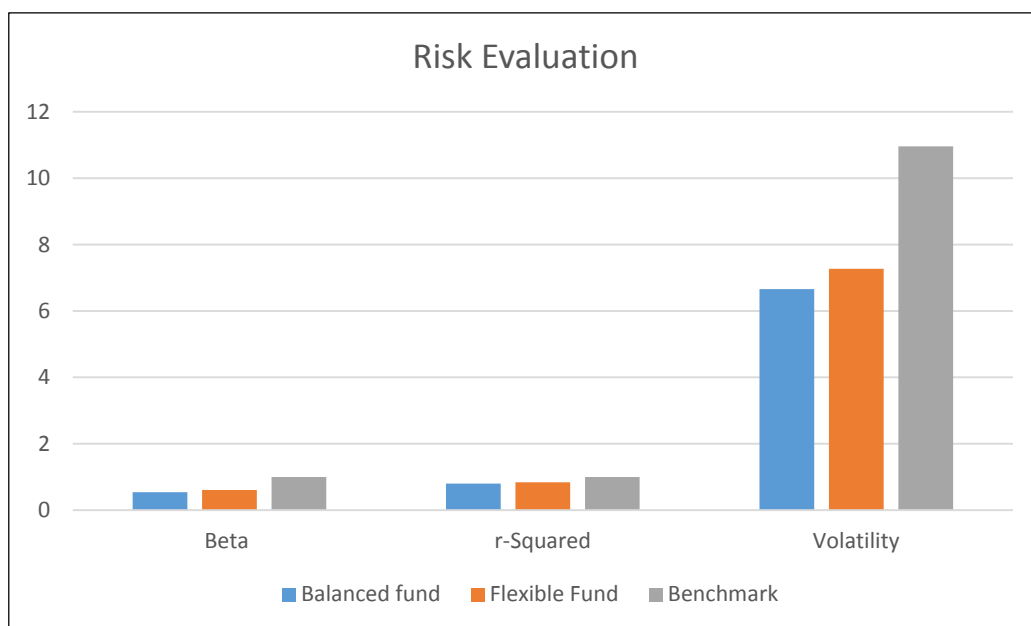
Graph 3.1 provides a summary of the asset allocation of flexible-and balanced funds over the last three years. The first graph indicates the mean of the balanced- and flexible funds in 2013 and 2015. The second graph indicate asset allocation of balanced funds and their

own mean for 2013 and 2015. The second graph indicate asset allocation of flexible funds and their own mean for 2013 and 2015. The significance of the results is that these funds are all asset allocation funds balanced are Regulation 28 compliant and flexible funds are not according to their mandate. The indication from the asset allocation is that both balanced and flexible fund do diversify between asset classes. In terms of asset allocation, there is less divergence amongst the top five balanced funds than between the flexible funds. Balanced funds are long-term focused thus strategically structured their portfolios accordingly. Flexible funds are performance focused, thus rebalance more to realise profits and wait for the next opportunity by increasing cash holdings. This is evident in the asset allocation differences of the five flexible funds. Interesting to note is that the flexible funds asset allocation is not correlated to each other.

Unlike the balanced funds asset allocation indication that balanced funds adheres to Regulation 28 limitations. The average holding of listed property from balanced- and the flexible funds, was not more than 5%. It is interesting to note that listed property was the top performing asset class over the last 10 years, with the highest return above inflation. The highest holder was Coronation balanced fund with 12.77% they are also the largest holder of growth asset out of all the balanced funds 81% of total assets. The cash holdings mean of the balanced – and flexible funds are relatively the same from both funds as indicated above.

The biggest difference between balanced funds and flexible funds is percentages holding of bonds and equity. Balanced funds hold more than 9% bonds, thus more than the mean of all Flexible funds. For all equities both local and offshore the mean holdings were 8% higher with flexible funds. This difference impact on volatility over short periods and assist with consistence in performance over long-terms. The funds that closely mimic balanced funds mean asset allocation were PSG-, Old Mutual- and Centaur flexible while also conforming to Regulation 28.

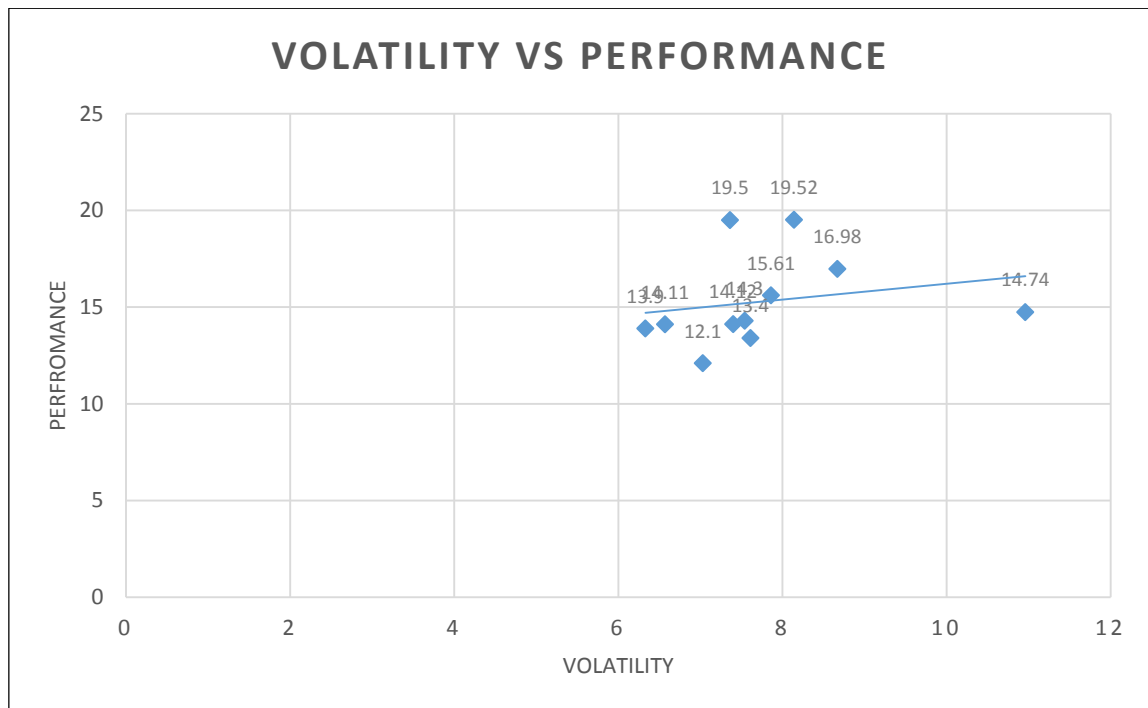
Risk evaluation of balanced versus flexible funds.



(Source: Own research)

Graph 3.2 Risk evaluation balanced vs flexible

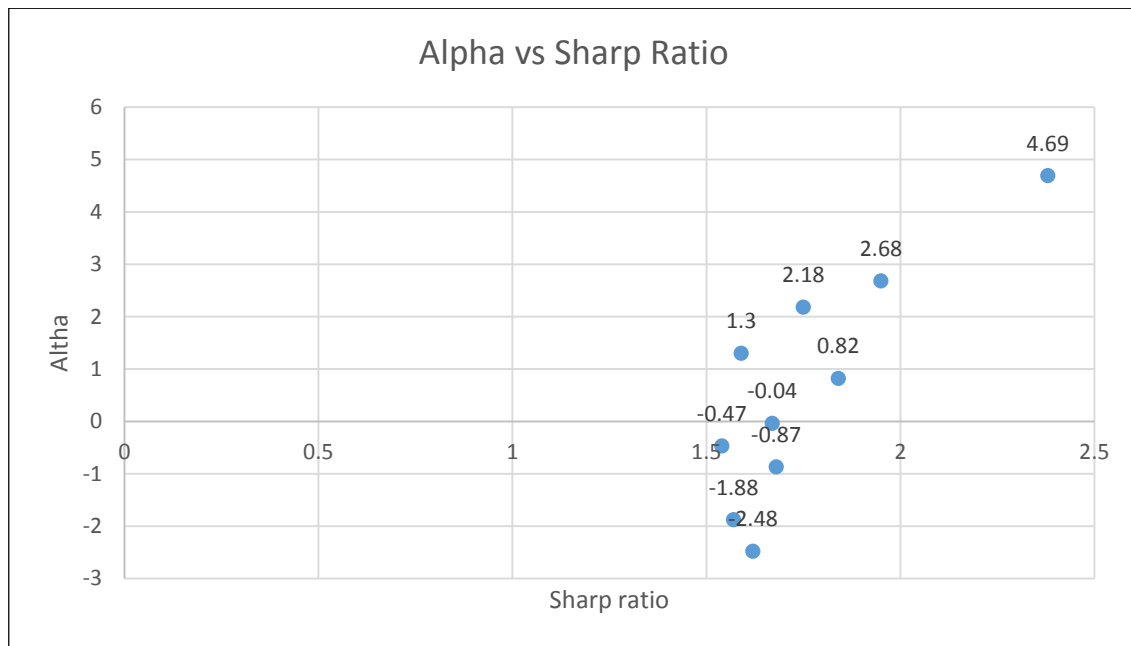
Graph 3.2 indicates statistical data on risk associated with asset allocation and specifically focuses on growth assets. The results of the mean risk evaluation of balanced - and flexible funds are consistent with the asset allocation data set in Graph 3.1. The beta, r- squared and volatility are the highest for all flexible funds. None of the betas were correlated with the market although equity holdings were higher over the last 3 years in all flexible funds. Providing evidence that equity selection is more a bottom up approached meaning selecting stocks that are not driven by economic change that might influence stock prices, thus confirming low systematic risk for both flexible and balanced funds.



(Source: Own research)

Graph 3.3 Performance of balanced- and flexible funds vs volatility.

Graph 3.3 evaluates volatility of all the balanced and flexible funds together versus their ten year performance. The largest holders of equity holdings were also the funds with the highest volatility. Volatility on average are lower than the market confirming active management in asset allocation. The Volatility of all the funds are between 6% and 8% with only two flexible funds above 8%. The highest volatility was JSE Alsi with almost 11% and a performance over ten years of 14.74%. From the performance indication majority of the funds are just close to 15% per year over 10 years. All the funds were close to Benchmark performance with less volatility. Only four of the funds' performance were between 15% and 20% over the last 10 years. This performance was all flexible funds. All funds selected indicate good diversification with low volatility and low betas.

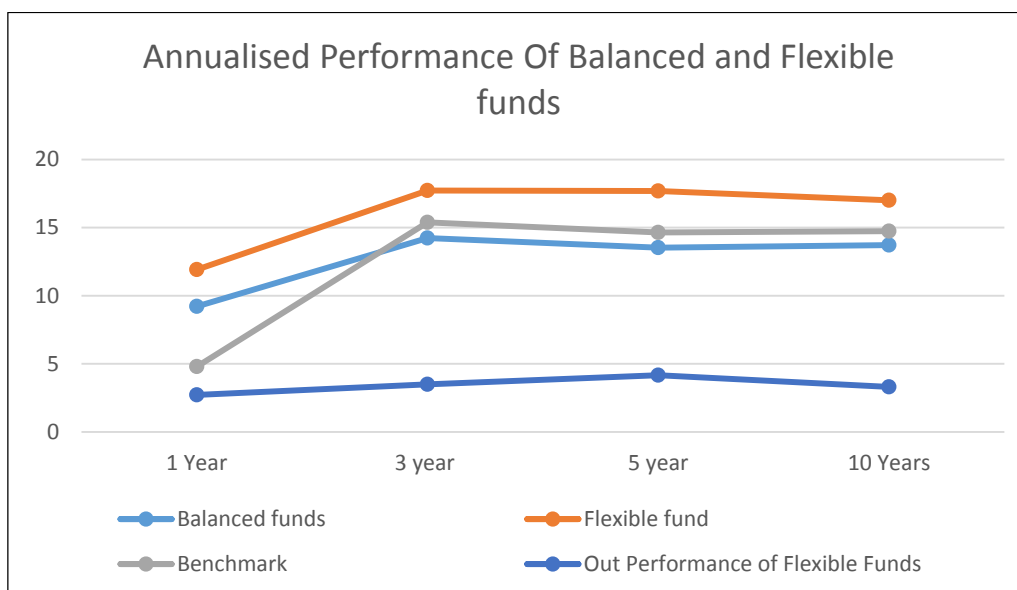


(Source: Own research)

Graph 3.4 Out performance of benchmark (Alpha) vs sharp ratio of balanced- and flexible funds.

Graph 3.3 summarises returns statistics of Alpha out performance of benchmark and sharp ratio an indication of return received for risk. All funds have provided good return for the risk all the funds have a sharp ratio of between 1.5 and 2. From the Alpha calculation it was evident that the flexible funds were the most rewarding for their risk taken with all of them out performing the benchmark. The main results that stand out from the above graph is not one balanced fund outperform the benchmark. Indicating evidence of the relationship with growth assets to outperformance in graph 3.1 balanced funds was the lowest holders of growth assets. Flexible funds mean Alpha was more than 2% above the market indicating performance driven strategy. The highest sharp ratio and Alpha was held by Centaur flexible fund and it is interesting to note the funds are well diversified. All the funds produced sharp ratios of more than the benchmarks 1.20 which is a credit worth performance considering that no one invests 100% in a single asset class.

Performance comparisons of flexible vs balanced



(Source: Own research)

Graph 3.5 Performance of flexible vs balanced

In the above graph are indications of annualised performance of the balanced fund versus flexible fund, benchmark and outperformance over 10 years. The performance of the funds correlates directly with the weighting of local, offshore equities and listed property. The mean return of the flexible funds outperformed the mean return of the balanced funds as well as the benchmark over one, three, five and ten years. In year one the volatility of local and international equity had a low influence on funds' performance, confirming the effectiveness of active asset allocation by flexible funds. It is interesting to note from the above information that the flexible funds have outperformed the JSE/Alsi over the last 10 Years as well. The best performing fund was Centaur's flexible fund, which is a boutique asset manager that outperformed the best balanced fund, namely Coronation balanced fund on average over the last 10 years, with more than 5% yearly. The worst performing funds was that of Old Mutual's balanced and flexible funds. An indication of good fund management is that funds can still outperform in equity down cycles.

3.10 Conclusion

Chapter one outlined the purpose of the study and provided an overview of the research topic, elaborating on the pension fund industry and limitations on asset allocation.

Chapter two was a literature review of the pension funds industry and the regulatory environment with specific reference to the role of Regulation 28. The collective investment industry was done on supporting the objective. This information was used in the selection proses for statistical data for the research.

In Chapter three, empirical research was done to investigate the research objective. The statistical analysis of the risks rewards and limitations on asset allocation was done to receive reliable results. The funds discussed were available Regulation 28 funds in the pension fund industry versus available funds not used in the industry. The results from all available data were discussed and relevant conclusions were derived from the information.

3.11 Chapter Summary

The objective of this empirical study was to provide a statistical data on balanced funds versus flexible funds over a 36-month term. Results also indicated the benchmark performance versus fund performance over 1, 3, 5 and 10 years. A summary was also provided on asset allocation in order to better understand the impact on risk/reward comparison. The results derived from the design and execution of the empirical research contributes to the findings used in Chapter four. There are many different reasons for performance differences. Evaluating risk and return of different portfolios should have the same benchmark because individual balanced- and flexible funds all have different benchmarks. The two portfolio compositions differ: balanced are dominated by the large asset managers that manage more than 50% of the collective investment industry and flexible are dominate by small unknown asset managers indicating the relative unknown category in the collective investment and pension industry.

Balanced funds and flexible funds are both from the same SA multi asset classification and thus are their risk apatite evident with not one of the funds holding less than 65% in

growth assets all the funds did asset allocation over the last three years and in all funds selected. Flexible funds have some of the best funds in this classification and probably deserve more recognition than they receive. The risk evaluation indicated that both the funds, balanced and flexible funds have no direct correlation to the market low betas. Because balanced funds hold less SA equity and more offshore equity and flexible funds can hold much more mid and small cap stocks that have a small market cap and is not that much correlated to market movement. Flexible funds do hold invest within their mandate and hold a lot less offshore assets than the average balanced fund. Volatility measure with the performance measure over the last ten years was the best indication that flexible funds do outperform balanced funds with the same range of volatility. The flexible funds outperformed balanced funds over the last 10 years with 3.29% on average this over a 10-year period are a cumulative return more of 30.29% if this was a retirement investment with a savings term of 30 Years what would the amount be. But the sharp ratio of the flexible funds was all just as rewarding for the risk as the balanced funds. Over the last 10 years' flexible funds has outperformed. (All data obtained for analyses for this research are attach in annexure B).

In the next chapter the research will be summarised and conclude with findings and recommendations as described in the problem statement and objective in chapter 1.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Background

The purpose of this chapter was to conclude the essence and principles of the research conducted. This final chapter addressed findings from the literature study and the results of the empirical research with key relevance to asset allocation limitations in the pension fund industry of South Africa. The study was focused on the pension funds industry and the use of defined contribution funds as preferred pension provision product. Defined contributions funds biggest benefit was that the fund did not need to fund retiring member's income out of the pension value. Each member was responsible for their own investment options and savings returns. Pension funds risk was increased over the years because members was living longer (longevity) this poses a threat that funds would not be able to support its members till death. With this in mind the industry changed from defined benefit funds to defined contribution funds and members now have to select their own investment options.

Regulation 28 was promulgated in 1962 and was last amended in 1998 but only recently in 2011 changed to be implemented on the member and not on the pension fund. Many retirees do not know about investment fund selection or the risk involved hence the reason for the restriction imposed on individuals for their own protection. Regulation 28 restriction focus on growth asset because of the risk involved. Individual investors now need to limit exposure to equities locally or offshore to 75% and listed property to 25% and offshore exposure to 25%. Before 2011 pension investors could invest in any asset class as long as the fund as a whole complied with these limitations, this is no longer the case.

Growth assets have always been the best solution for long-term investment for retirement, it has some of the best tax savings on returns and deductions on premiums in South Africa, until however these funds were restricted with no excess before retirement. The new limitation forced many young investors in pension funds to make alternative choices because of the limitations enforced by Regulation 28.

4.2 Research summary

The primary objective of the study was to determine to which extent balanced funds do indeed outperform flexible funds indicating the effectiveness of the implementation of Regulation 28. This was done by comparing and analysing asset allocation and persistence of performance over a 10-year period, from September 2005 till October 2015.

However, the Regulation 28 limits did not apply to retirement products inceptioned before April 2011. As a result, equity funds were typically used, namely SA equity or offshore equity, as an investment choice for younger clients, so as to maximise returns over the long-term. Since the implementation of Regulation 28 the use of balanced type funds (multi-asset) in the retirement provision has increased dramatically. Surveys done by Milliman in 2012 indicate that balanced (multi asset allocation) funds are mostly preferred by advisors. (Knee, 2012).

Limitations derived from the literature study and empirical research is discussed below.

4.2.1 Conclusions from the literature study

Pension fund members do not need to be concerned about the pension fund industry. Government are committed to better regulate and secure savings for retirement. The industry is transferring from a defined benefit fund solution to defined contribution fund solution where investment decision directly influences retirement values. This is not just limited to South Africa, but is visible all over the world. Governments cannot keep up with a funded pension provision with old age grants. Government can only assist pension provision by promoting retirement investments with tax relieve and this has already been implemented to alleviate the burden on government. Government also needs to ensure the value in the investment are protected especially because South Africa is still a developing country - people still needs to be educated in investment risk it is not yet fully understood. These pension fund asset allocation restrictions imposed are in line with pension restrictions all over the world. Pension fund investments are directly linked to the economy and assist with buying of bonds, equity and providing income that are spend in the economy. Longevity is a real threat and for that reason investments need to be managed correctly to safeguard it to provide an income after retirement. The South African pension fund investor seldom revised their original investment choice and

chooses funds without any assistance from professionals. Pension investments are long-term investments and risk are lowered over time. Investments are also rewarding over time with the benefit of compounding. Investments diversification need to be done between growth assets and selecting the right active fund will assist in better performance over time. Regulation 28 is not the only legislation limiting asset allocation for collective investment schemes. They are also governed by the Collective Investment Schemes Control Act and ASISA classifications and mandates. Collective investments are already providing a restricted investment environment protecting the investor. It is also noted that growth assets are not just proving capital growth but provide dividend and are long-term focused with some of the only asset classes to outperform inflation over time. The collective investment industry is dominated by multi asset funds understandably attracted by the fact that decision making of asset allocation is the fund managers' responsibility. Furthermore, balanced mandates allow pension fund administrators to shift the burden of complying with Regulation 28 to the fund manager and the member selecting the asset manager.

4.2.2 Conclusions from empirical research

The research was done on the funds selected from the balanced and flexible categories as classified by ASISA and governed by the Collective Investments Schemes Act. The research was on asset allocation of funds, based on returns and rewards from asset class selections. On average flexible funds move out of limitations set by Regulation 28 on equity but rebalances if market condition shift back to cash. The average difference over 3 years between balanced – and flexible funds was equity holding of 7.60% presently, versus 13.22% in 2013. This small difference in equity holdings between balanced and flexible funds provided an annualised mean out performance of 3.29% per year over 10 years for the flexible funds. It was indicated that a key reason for concern with portfolios with small equity and property holdings is that shares have historically offered a higher rate of return than bonds and cash. While the difference in returns between the average balance fund and a flexible fund might not sound significant, these differences compound to very meaningful effects on the investors returns over the long-term investment horizons (more than 20 years) due to the power of compounding.

As indicated in Chapter 3 the mean asset allocation of flexible funds did not comply with Regulation 28 - only in 2013 with a total equity asset allocation of 71.69% and with 13.17% of the value in offshore allocation. Presently the total equity allocation is 74.08%. The

large holders of equity are the 36 One flexible opportunity fund with 84.04% and Visio Actinio flexible fund with 84.28%. The balanced fund mean allocation to equity was 66.8% in 2015 and 68.47 in 2013 thus not exceeding 75% of the total equity holdings. The offshore holdings mean for both years was almost fully invested. Due to limitations of 25%, one of the compliant funds was 2.53% above the limitation. The highest equity holding were Allan Gray balanced fund at 74.3% and Coronation balanced fund at 68.92%. Interesting to notice is that the best outperformance comes from the 4 boutique asset managers. The consistent results received from the research indicated that in order to perform better, asset allocation need to be not just asset class managed but that timing is also essential for success. Balanced funds performance was just as consistent over 5 and 10 years, as their asset allocation in equity and offshore over the same time. The most diversified funds from balanced and flexible- were Coronation balanced, Investec opportunity, Old Mutual flexible and Centaur flexible. The main results also indicate that Coronation was the best performer over 10 years from the balanced funds and Centaur from the flexible funds thus indicating no proof of over diversification.

Balanced and flexible funds both allocate assets between equity, bonds, cash and listed property. The difference is that balanced funds do not deviate much over time on asset allocation but flexible funds do. They can allocate 100% to one asset class. Flexible funds seldom invest only in one asset class, which was evident from the research. Furthermore, flexible funds exhibit great market timing ability, because they outperform the market and hold less equity over the same period. All the flexible funds maintain a degree of defensive asset allocation it was evident with the 1 year results against a volatile market over one year. Certain asset classes, sectors of the market or areas of the world perform exceptionally well at certain times in an investors life time. Receiving full benefits from this out performance will only happen when money is invested in a multi asset fund that can maximise exposure to a single asset class, market or sector as is evident from flexible funds.

4.3 Concluding discussion

In Chapter 1 the primary objective was formulated as follows to determine if and to what extend balanced funds do indeed outperform flexible funds indicating the effectiveness of Regulation 28.

Limitations from asset allocation by pension legislation along with regulations of the collective investment schemes industry and structural classification by ASISA reduce the pension investors' choice. Legislation in investment cannot be a one solution fits all, situation, because younger worker may prefer to take higher risks and higher return portfolios while older pensioners are better off investing in a cautious asset allocation. Flexible funds are asset allocators with performance focused managers that benefit from shorter term volatility and seized opportunities. Balanced funds maximize on a bottom-up fund type of management, focusing on long-term performance and not deviating from the investment strategy because of short-term market noise. Balanced funds do not utilize the growth assets with in the limitation fully they appear to be more risk averse in the short-term. When annualising both fund asset allocation strategies both are moderate aggressive funds. When comparing funds selected to each other in one, three, five and ten years annualized performance all flexible funds has outperformed balanced funds. This comparison includes 2008/2009 witch was the worst equity crash in twenty years.

Flexible funds outperform balanced funds with only a marginally more volatile risk and equity holding. Balanced funds underperform flexible funds on average indicating that limitations set by Regulation 28 restrict performance. The difference in performance is that there is no limitation on any asset class but none of the flexible funds fully utilizes it.

4.3.1 Limitation of research

Multi asset balanced funds form a small part of the total pension fund investment industry but has the most up to date and available information. Private pension funds that manage their own funds information are not available that regularly. Asset allocation statistics are also very limited from all collective investment companies they will only provide information up to 3 years. Flexible funds are currently a small portion of the collective investment market and in this investment category only 13 are true asset allocators but track records are less than 5 years for the majority of them. Performance of all collective investment funds are market based so it is not known what your returns will be. Historical performance is no guarantee of future performance.

4.4 Recommendations and future research

Growth assets are necessary for pension funds to reap the rewards of long-term investments. The researched funds do not all comply with Regulation 28. The dilemma

facing the industry is not evident because regulation 28 only came in effect in 2011. But investing in assets that are not outperforming inflation will deteriorate the value of your investment at retirement. Limitations are necessary for developing countries in order to safely assist pensioners and pension fund trustees who have limited knowledge. While balanced funds are typically classed as moderate investments, individual funds may be tilted either towards growth or towards risk avoidance. Longevity is a real threat for a pension, but currently not at all considered in portfolio construction. Thus the current portfolio construction needs to be researched more, including its' effects on the performance of retirement investing.

Balanced funds are long-term investments that hold growth assets but seldom fully invest in growth assets, according to their mandate, this should be researched more. Flexible funds are a good fit for pension investors since it applies the portfolio theory to select assets and do stick to a performance base strategy. All asset classes have a place to lower risk through diversification. From the research it was evident that listed property is not being fully analysed. This is one asset class with high dividend yield and the ability to lower, over all, portfolio volatility.

Future research should be done on flexible funds effective implementation of strategy, market timing and asset selection is it skill or process. Boutique asset managers are the small collective investment funds that are more flexible and can hold more mid - and small cap equity, both locally and offshore. These companies are not fully utilized by large pension funds, because of size of assets under management and years in existence. This should be explored to indicate their place in the market Allan Gray and Coronation were both small companies when they started.

The increase in life stage investments in the pension fund industry with an increase in the new fund inflows was discussed in Chapter 2. Life stage portfolios predicted that investors' appetite for risk decline as they near the retirement age of 55-65. Accordingly, over time, growth assets exposure will decrease from 65% to 5% at retirement. By doing this, assumptions are made that the investor will retire at the age selected, and that the investor will only invest the value in a guaranteed income at retirement. This possesses a substantial threat to longevity and should be explored more.

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ANNEXURES

Annexure A

BENEFIT	DEFINED CONTRIBUTION FUND	DEFINED CONTRIBUTION FUND
Retirement benefits	Roll-up of accumulated contributions plus fund growth	A percentage of final salary based on years of service
Risk to employer	The member carries the investment risk	Very risky for the employer as shortfalls in the fund must be contributed by the employer
Administration costs	Cheaper to administer	Actuarial requirements make administration expensive. Variations (increases) in salaries can have a profound effect on the fund.
Suitability for employer	Small and medium sized companies	Medium to large companies
Advantage to members and fairness	It favours younger members (entrants). Younger members have more time to accumulate contributions. It is more fair-the member gets what he/she puts in	It favours older members (entrants). Older members have a shorter period during which they can accumulate contributions.
Cost of starting up	The initial outlay is small	Requires a large initial investment outlay
Strength of the fund	It is not dependant on the ages and salaries of the members	The financial strength of the fund depends heavily on the ages and salaries of the members
Early retirement penalties	No penalties	Normally a reduction in benefits for each year by which the earlier retirement is before normal retirement date
Advantages	The employer's contributions are limited to an affordable level	The retirement benefits are guaranteed as a percentage of final salary.
Disadvantages	A poor investment return may lower the employee's retirement benefits	Open-ended contribution liability for the employer.

Annexure B



Balanced Funds

ProfileData Fund Analytics

4 November 2015

Portfolio Composition				1 Year			3 Years			FE Crown Rating
Fund Manager	Name	Original % Holding	Hist. Yield	Perf.	Est. Contrb	Qtl	Perf.	Est. Contrb	Qtl	
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	20.00	2.03	11.59	2.32	2	52.14	10.43	2	★★★★
Coronation Fund Managers	Balanced Plus A - Apr 96	20.00	1.80	11.57	2.31	2	55.90	11.18	1	★★★★★
Foord Unit Trusts Limited	Balanced R - Sep 02	20.00	2.00	11.88	2.38	2	50.30	10.06	2	★★★★★
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	20.00	2.06	15.25	3.05	1	46.45	9.29	3	★★★★
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	20.00	2.45	12.77	2.55	2	49.77	9.95	2	★★★★
Total Portfolio		100.00	2.07	12.60			50.88			
Selected Benchmark		FTSE/JSE All Share - Jan 60		11.11			56.65			

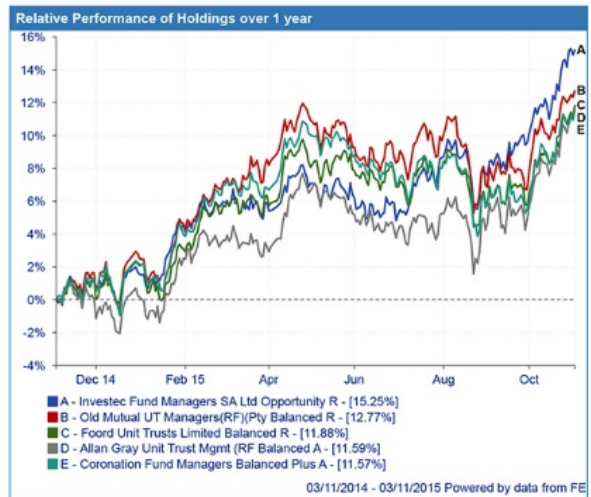
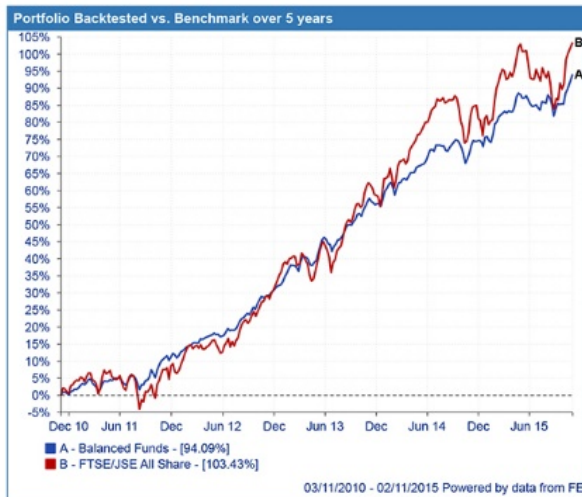
Performance figures to last price date, and ordered alphabetically.
Estimated contribution values are based on the percentage weightings being correct at the start of the analysed performance period.
Please note: Historic yield figures will only be provided for funds with at least 12 months of performance history.

Portfolio Composition - Fund Information						
Fund Manager	Name	Fund Launch Date	Fund Size	Industry Sector	Mstar Analyst Rating*	S&P Capital IQ Grading*
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	01/10/1999	R111,424.2M	SA Mt South African Multi Asset High Equity	Bronze	Neutral
Coronation Fund Managers	Balanced Plus A - Apr 96	15/04/1996	R86,014.9M	SA Mt South African Multi Asset High Equity		
Foord Unit Trusts Limited	Balanced R - Sep 02	31/08/2002	R48,293.7M	SA Mt South African Multi Asset High Equity		
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	30/04/1997	R38,616.6M	SA Mt South African Multi Asset High Equity		
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	01/03/1994	R16,462.8M	SA Mt South African Multi Asset High Equity		
Fund Manager	Name	Fund Manager*	Fund Manager Start Date*	AMC	TER	
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	Andrew Lapping	01/10/1999	1.14%	1.42%	
Coronation Fund Managers	Balanced Plus A - Apr 96	Karl Leinberger	01/03/2005	1.43%	1.61%	
Foord Unit Trusts Limited	Balanced R - Sep 02	Dane Schrauwen	31/08/2002	1.14%	1.76%	
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	Clyde Rossouw	01/05/1997	1.14%	1.33%	
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	Graham Tucker	01/05/2014	1.14%	1.33%	

*This information relates to the underlying Unit Trust / OEC Fund

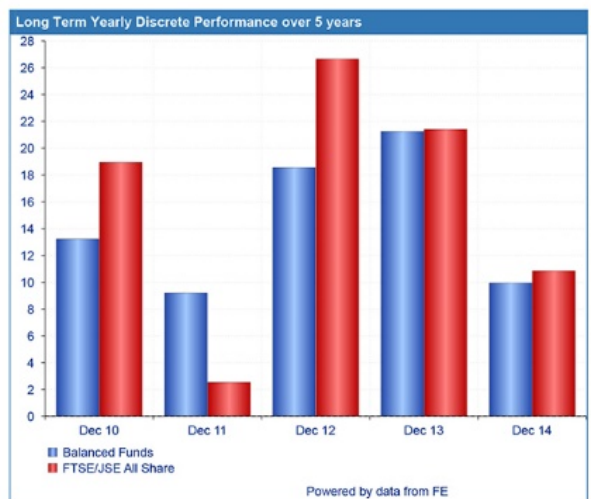
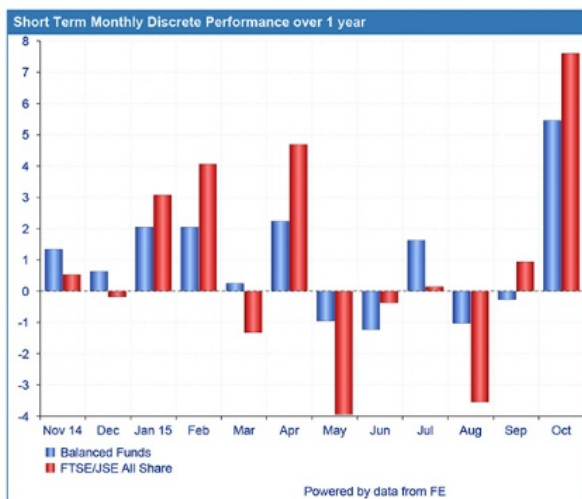
Portfolio Ratios						
Fund Manager	Name	Volatility	Alpha	Beta	Sharpe	r ²
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	7.40	5.44	0.56	1.54	0.68
Coronation Fund Managers	Balanced Plus A - Apr 96	7.52	5.55	0.61	1.67	0.80
Foord Unit Trusts Limited	Balanced R - Sep 02	6.57	5.60	0.52	1.68	0.76
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	6.33	5.82	0.46	1.62	0.65
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	7.03	4.73	0.58	1.57	0.81
Total Portfolio		6.66	5.43	0.54	1.69	0.80
Selected Benchmark		FTSE/JSE All Share - Jan 60	10.96	-	1.20	-

Ratio figures based on last 36 months total return performance. Ratio figures are annualised where applicable.
The benchmark for each holding is the portfolio benchmark.

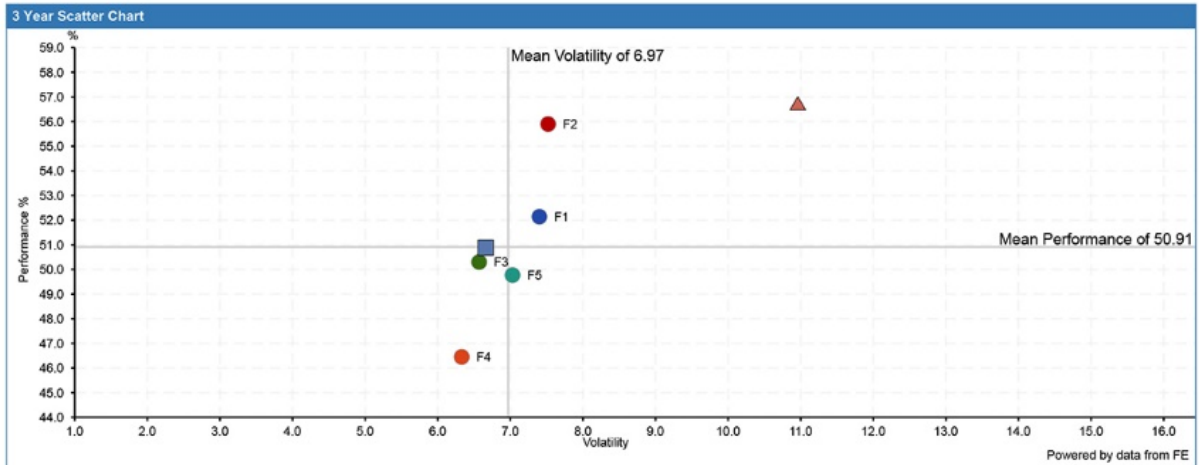


Cumulative Performance - % growth		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	Since 02/09/2002*
Fund Manager	Name									
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	5.12	6.04	4.63	11.59	23.76	52.14	71.19	94.56	674.65
Coronation Fund Managers	Balanced Plus A - Apr 96	4.39	2.97	1.40	11.57	24.23	55.90	83.73	98.93	689.42
Foord Unit Trusts Limited	Balanced R - Sep 02	4.65	3.16	3.52	11.88	22.08	50.30	80.45	98.71	674.77
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	4.20	5.98	7.62	15.25	25.01	46.45	72.67	93.85	702.72
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	3.74	2.44	1.65	12.77	24.05	49.77	75.08	87.85	500.17
Total Portfolio		4.45	4.18	3.83	12.60	23.82	50.88	76.56	95.04	648.34
Selected Benchmark	FTSE/JSE All Share - Jan 60	5.91	5.52	0.52	11.11	25.68	56.65	89.12	103.43	717.90

*Earliest historic collective date for all selected instruments.



Discrete Performance - % growth		04/11/2014 - 04/11/2015	04/11/2013 - 04/11/2014	04/11/2012 - 04/11/2013	04/11/2011 - 04/11/2012	04/11/2010 - 04/11/2011
Fund Manager	Name					
Allan Gray Unit Trust Mgmt (RF)	Balanced A - Oct 99	11.59	10.91	22.93	12.52	13.65
Coronation Fund Managers	Balanced Plus A - Apr 96	11.57	11.35	25.50	17.85	8.27
Foord Unit Trusts Limited	Balanced R - Sep 02	11.88	9.12	23.11	20.07	10.12
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	15.25	8.47	17.15	17.91	12.26
Old Mutual UT Managers(RF)(Pty)	Balanced R - Mar 94	12.77	10.00	20.74	16.90	7.30
Total Portfolio		12.60	9.96	21.86	17.02	10.46
Selected Benchmark	FTSE/JSE All Share - Jan 60	11.11	13.11	24.65	20.72	7.57



3 Year Scatter Chart

Key	Name	Performance	Volatility	Holding (%)
F1	Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	52.14	7.40	20.00
F2	Coronation Fund Managers - Balanced Plus A - Apr 96	55.90	7.52	20.00
F3	Foord Unit Trusts Limited - Balanced R - Sep 02	50.30	6.57	20.00
F4	Investec Fund Managers SA Ltd - Opportunity R - Apr 97	46.45	6.33	20.00
F5	Old Mutual UT Managers(RF)(Pty - Balanced R - Mar 94	49.77	7.03	20.00
	Total Portfolio	50.88	6.66	
	Benchmark - FTSE/JSE All Share - Jan 60	56.65	10.96	

Split by Asset Class

Original Portfolio Weightings



- South African Equities (42.29%)
- Other International Equities (24.19%)
- South African Fixed Interest (15.20%)
- Money Market (13.07%)
- Property (4.71%)
- Global Fixed Interest (0.53%)

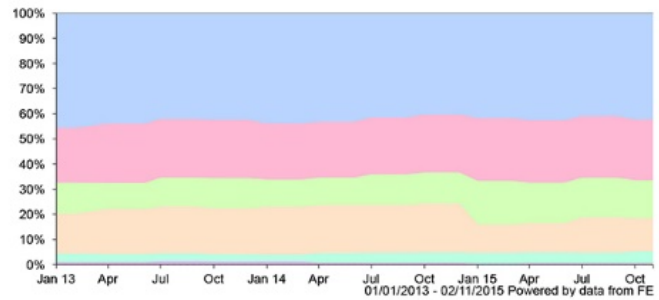
Portfolio breakdown per holdings based on original percentage weightings

Fund Manager	Name	South African Equities (%)	Other International Equities (%)	South African Fixed Interest (%)	Money Market (%)	Property (%)	Global Fixed Interest (%)	Total held (%)
Allan Gray Unit Trust Mgmt (RF	Balanced A - Oct 99	10.15	4.71	2.33	2.21	0.35	0.24	20.00
Coronation Fund Managers	Balanced Plus A - Apr 96	8.82	4.96	2.87	0.70	2.55	0.10	20.00
Foord Unit Trusts Limited	Balanced R - Sep 02	8.31	4.16	2.26	4.71	0.49	0.07	20.00
Investec Fund Managers SA Ltd	Opportunity R - Apr 97	7.17	5.51	3.55	3.09	0.57	0.12	20.00
Old Mutual UT Managers(RF)(Pty	Balanced R - Mar 94	7.84	4.85	4.20	2.37	0.74	-	20.00
Total Portfolio		42.29	24.19	15.20	13.07	4.71	0.53	100.00

Portfolio breakdown and holdings are based on latest published data for each constituent which may have different publication dates.
Portfolio start date is required to calculate current weightings.

Historical Portfolios Asset Classes

Key	Asset Classes
	South African Equities
	International Equities
	South African Fixed Interest
	Money Market
	Property
	Global Fixed Interest
	Unknown

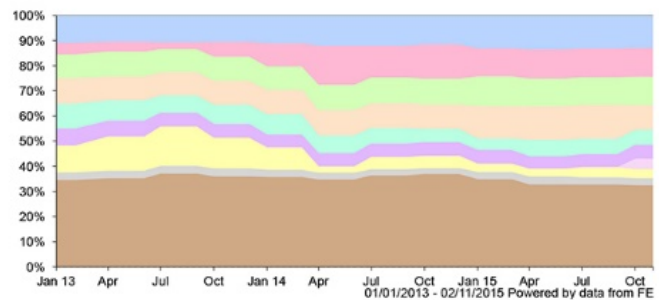


Historical Portfolios Geographical Region

Data not available.

Historical Portfolios Sector Weightings

Key	Sector Weightings
	Others
	Financials
	Money Market
	Consumer Products
	Government Bonds
	Basic Materials
	Industrials
	UK Fixed Interest
	Cash & Cash Equivalents
	Services



Stock Overlap

CORONATION GLOBAL OPPORTUNITIES EQUITY A - Held by 1/5	Position of Stock in each fund's Top Ten Holdings	Portfolio % - 3.76%
Coronation Fund Managers - Balanced Plus A - Apr 96	1	3.76
BRITISH AMERICAN TOBACCO - Held by 4/5		Portfolio % - 3.36%
Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	2	1.32
Old Mutual UT Managers(RF)(Pty - Balanced R - Mar 94	5	0.41
Investec Fund Managers SA Ltd - Opportunity R - Apr 97	1	1.16
Coronation Fund Managers - Balanced Plus A - Apr 96	6	0.48
STEINHOFF INTERNATIONAL HLDGS - Held by 3/5		Portfolio % - 1.80%
Old Mutual UT Managers(RF)(Pty - Balanced R - Mar 94	3	0.47
Investec Fund Managers SA Ltd - Opportunity R - Apr 97	2	0.97
Coronation Fund Managers - Balanced Plus A - Apr 96	8	0.36
SASOL - Held by 2/5		Portfolio % - 1.75%
Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	4	1.18
Investec Fund Managers SA Ltd - Opportunity R - Apr 97	3	0.57
STANDARD BANK GROUP - Held by 3/5		Portfolio % - 1.73%
Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	6	0.91
Old Mutual UT Managers(RF)(Pty - Balanced R - Mar 94	4	0.44
Investec Fund Managers SA Ltd - Opportunity R - Apr 97	9	0.38
ORBIS OPTIMAL USD - Held by 1/5		Portfolio % - 1.64%
Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	1	1.64
NASPERS - Held by 2/5		Portfolio % - 1.46%
Old Mutual UT Managers(RF)(Pty - Balanced R - Mar 94	1	0.92
Coronation Fund Managers - Balanced Plus A - Apr 96	5	0.54
ORBIS INVESTMENT MANAGEMENT - Held by 1/5		Portfolio % - 1.30%
Allan Gray Unit Trust Mgmt (RF - Balanced A - Oct 99	3	1.30
ORBIS SICAV GLOBAL BALANCED SA FUND - Held by 1/5		Portfolio % - 1.05%

Portfolio Composition				1 Year			3 Years			FE Crown Rating
Fund Manager	Name	Original % Holding	Hist. Yield	Perf.	Est. Contrb	Qtl	Perf.	Est. Contrb	Qtl	
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	20.00	1.15	14.76	2.95	2	77.63	15.53	1	★★★★★
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	20.00	0.00	15.87	3.17	1	60.77	12.15	1	★★★★
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	20.00	0.00	19.15	3.83	1	69.11	13.82	1	★★★★
Old Mutual UT Managers(RF)(Pty)	Flexible R - Aug 96	20.00	1.77	17.16	3.43	1	61.72	12.34	1	★★★★
PSG Collective Investments Ltd	Flexible A - Nov 98	20.00	1.94	11.53	2.31	2	61.33	12.27	1	★★★★★
Total Portfolio		100.00	0.97	15.81			66.54			
Selected Benchmark		FTSE/JSE All Share - Jan 60		11.11			56.65			

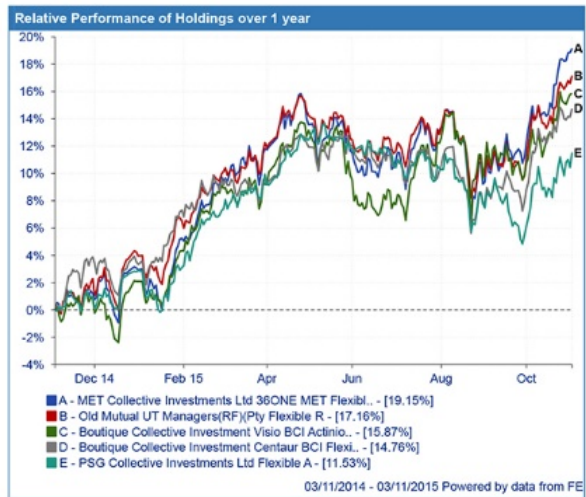
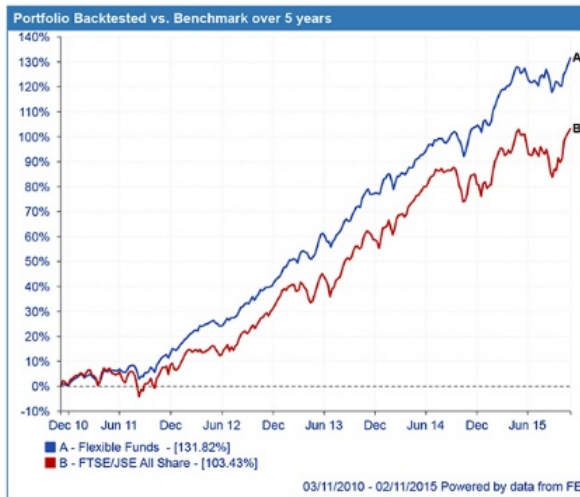
Performance figures to last price date, and ordered alphabetically.
Estimated contribution values are based on the percentage weightings being correct at the start of the analysed performance period.
Please note: Historic yield figures will only be provided for funds with at least 12 months of performance history.

Portfolio Composition - Fund Information						
Fund Manager	Name	Fund Launch Date	Fund Size	Industry Sector	Mstar Analyst Rating*	S&P Capital IQ Grading*
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	01/12/2004	R1,387.8M	SA Mt South African Multi Asset Flexible		
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	01/04/2004	R1,294.7M	SA Mt South African Multi Asset Flexible		
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	05/09/2005	R2,319.6M	SA Mt South African Multi Asset Flexible		
Old Mutual UT Managers(RF)(Pty)	Flexible R - Aug 96	20/08/1996	R4,417.8M	SA Mt South African Multi Asset Flexible		
PSG Collective Investments Ltd	Flexible A - Nov 98	02/11/1998	R7,427.0M	SA Mt South African Multi Asset Flexible		
Fund Manager	Name	Fund Manager*	Fund Manager Start Date*	AMC	TER	
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	Roger Williams	01/12/2004	1.43%	0.55%	
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	Uys Meyer	01/04/2004	1.43%	3.20%	
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	Cy Jacobs	05/09/2005	1.51%	3.49%	
Old Mutual UT Managers(RF)(Pty)	Flexible R - Aug 96	Mr. Peter Brooke	01/01/2007	1.14%	1.31%	
PSG Collective Investments Ltd	Flexible A - Nov 98	Jan Mouton	02/11/1998	1.14%	2.22%	

*This information relates to the underlying Unit Trust / OEIC Fund

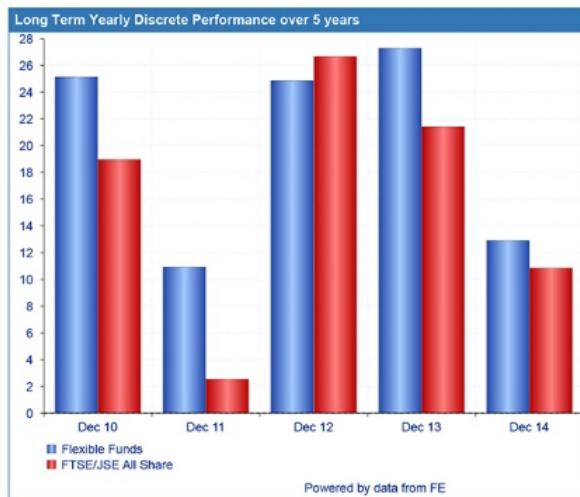
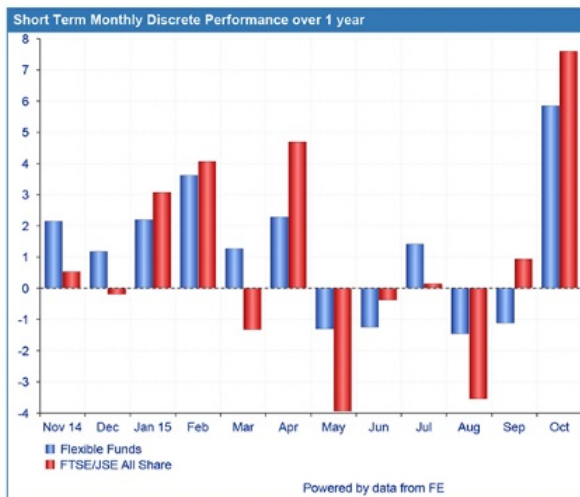
Portfolio Ratios						
Fund Manager	Name	Volatility	Alpha	Beta	Sharpe	r ²
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	7.36	11.07	0.56	2.38	0.68
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	8.67	6.02	0.66	1.59	0.69
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	8.14	7.88	0.66	1.95	0.78
Old Mutual UT Managers(RF)(Pty)	Flexible R - Aug 96	7.60	6.93	0.61	1.84	0.77
PSG Collective Investments Ltd	Flexible A - Nov 98	7.89	7.83	0.55	1.75	0.58
Total Portfolio		7.27	7.96	0.61	2.08	0.84
Selected Benchmark		10.96	-	-	1.20	-

Ratio figures based on last 36 months total return performance. Ratio figures are annualised where applicable.
The benchmark for each holding is the portfolio benchmark.

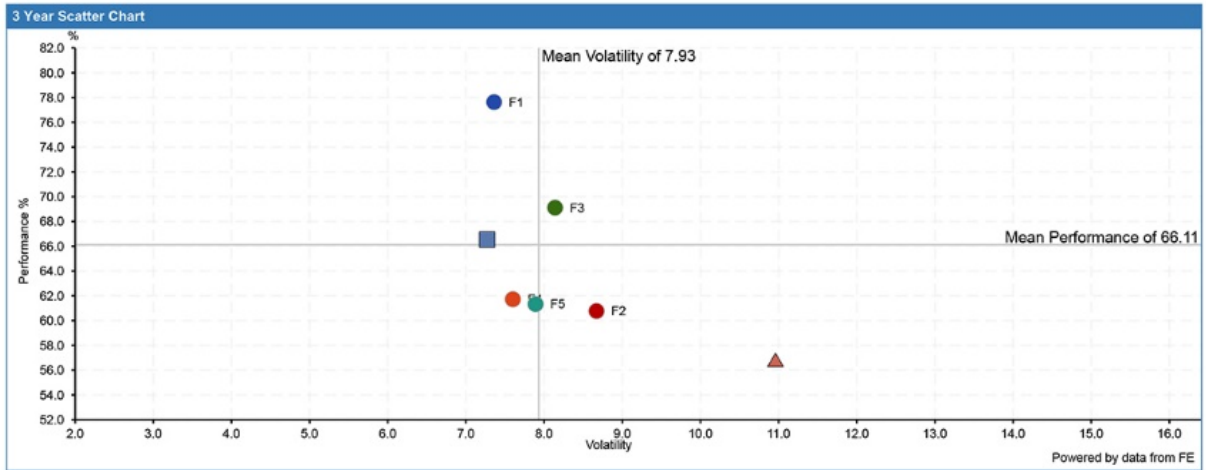


Cumulative Performance - % growth										
Fund Manager	Name	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	Since 05/09/2005*
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	4.94	3.74	2.52	14.76	34.86	77.63	125.15	156.24	477.93
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	4.29	2.89	2.41	15.87	28.09	60.77	116.28	141.97	434.99
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	5.17	5.08	4.91	19.15	31.10	69.11	121.56	152.88	559.28
Old Mutual UT Managers(RF)(Pty	Flexible R - Aug 96	4.42	3.36	2.56	17.16	30.97	61.72	89.32	96.67	291.60
PSG Collective Investments Ltd	Flexible A - Nov 98	4.44	1.13	-0.81	11.53	25.44	61.33	82.87	109.31	371.12
Total Portfolio		4.70	3.36	2.47	15.81	30.21	66.54	108.12	132.86	426.98
Selected Benchmark	FTSE/JSE All Share - Jan 60	5.91	5.52	0.52	11.11	25.68	56.65	89.12	103.43	360.19

*Earliest historic collective date for all selected instruments.



Discrete Performance - % growth						
Fund Manager	Name	04/11/2014 - 04/11/2015	04/11/2013 - 04/11/2014	04/11/2012 - 04/11/2013	04/11/2011 - 04/11/2012	04/11/2010 - 04/11/2011
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	14.76	17.51	31.71	26.75	13.81
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	15.87	10.55	25.52	34.53	11.88
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	19.15	10.03	28.99	31.02	14.14
Old Mutual UT Managers(RF)(Pty	Flexible R - Aug 96	17.16	11.79	23.48	17.06	3.89
PSG Collective Investments Ltd	Flexible A - Nov 98	11.53	12.47	28.61	13.35	14.46
Total Portfolio		15.81	12.44	27.91	24.96	11.89
Selected Benchmark	FTSE/JSE All Share - Jan 60	11.11	13.11	24.65	20.72	7.57



3 Year Scatter Chart

Key	Name	Performance	Volatility	Holding (%)
F1	Boutique Collective Investment - Centaur BCI Flexible Fund - Dec 04	77.63	7.36	20.00
F2	Boutique Collective Investment - Visio BCI Actinio Fund A - Apr 04	60.77	8.67	20.00
F3	MET Collective Investments Ltd - 36ONE MET Flexible Opportunity A - Sep 05	69.11	8.14	20.00
F4	Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	61.72	7.60	20.00
F5	PSG Collective Investments Ltd - Flexible A - Nov 98	61.33	7.89	20.00
	Total Portfolio	66.54	7.27	
	Benchmark - FTSE/JSE All Share - Jan 60	56.65	10.96	

Split by Asset Class

Original Portfolio Weightings



- South African Equities (56.11%)
- Other International Equities (17.97%)
- Money Market (15.51%)
- South African Fixed Interest (5.41%)
- Property (4.92%)
- Global Fixed Interest (0.07%)

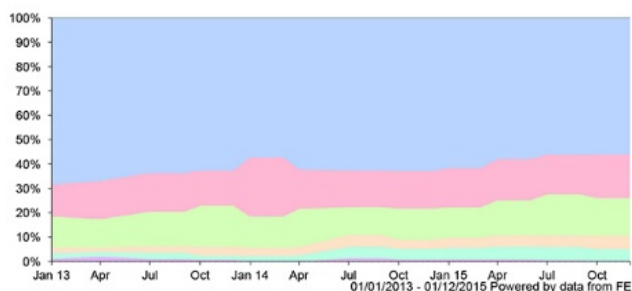
Portfolio breakdown per holdings based on original percentage weightings

Fund Manager	Name	South African Equities (%)	Other International Equities (%)	Money Market (%)	South African Fixed Interest (%)	Property (%)	Global Fixed Interest (%)	Total held (%)
Boutique Collective Investment	Centaur BCI Flexible Fund - Dec 04	9.28	3.93	3.51	2.57	0.64	0.07	20.00
Boutique Collective Investment	Visio BCI Actinio Fund A - Apr 04	15.71	1.15	1.63	-	1.52	-	20.00
MET Collective Investments Ltd	36ONE MET Flexible Opportunity A - Sep 05	13.61	3.20	1.96	-	1.23	-	20.00
Old Mutual UT Managers(RF)(Pty	Flexible R - Aug 96	10.07	4.82	0.99	2.85	1.28	-	20.00
PSG Collective Investments Ltd	Flexible A - Nov 98	7.44	4.88	7.43	-	0.25	-	20.00
Total Portfolio		56.11	17.97	15.51	5.41	4.92	0.07	100.00

Portfolio breakdown and holdings are based on latest published data for each constituent which may have different publication dates.
Portfolio start date is required to calculate current weightings.

Historical Portfolios Asset Classes

Key	Asset Classes
	South African Equities
	International Equities
	Money Market
	South African Fixed Interest
	Property
	Global Fixed Interest

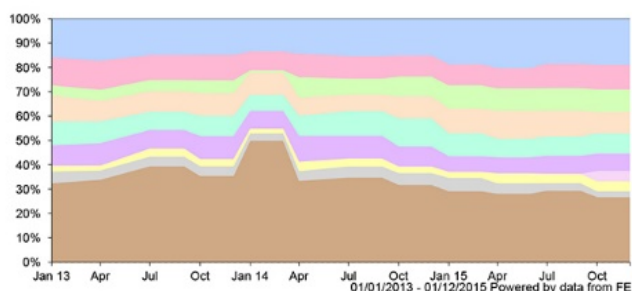


Historical Portfolios Geographical Region

Data not available.

Historical Portfolios Sector Weightings

Key	Sector Weightings
	Others
	Financials
	Industrials
	Money Market
	Services
	Consumer Products
	Basic Materials
	UK Fixed Interest
	Fixed Interest
	Telecom, Media & Technology



Stock Overlap

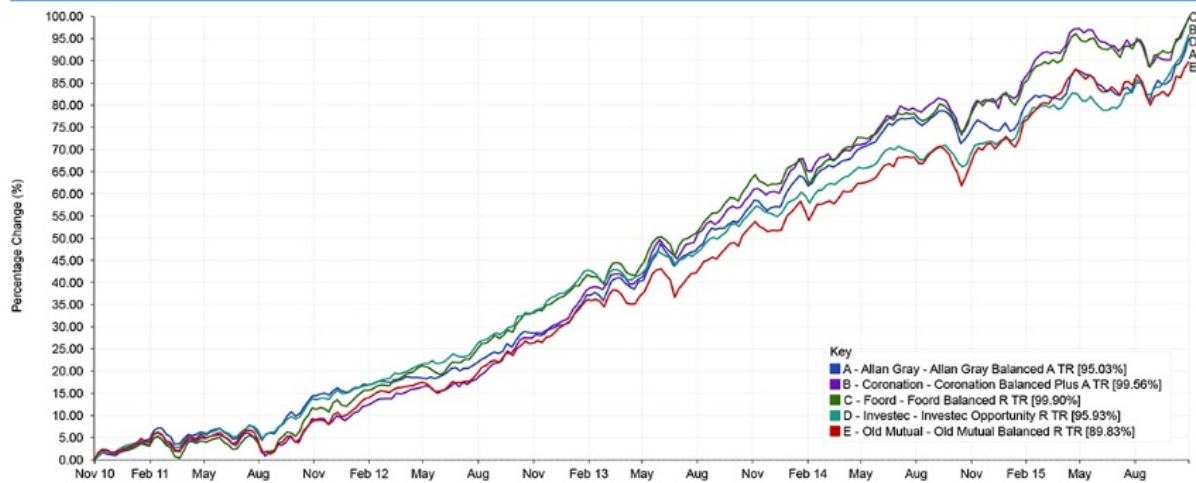
NASPERS - Held by 3/5	Position of Stock in each fund's Top Ten Holdings	Portfolio % - 3.81%
Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	1	1.01
MET Collective Investments Ltd - 36ONE MET Flexible Opportunity A - Sep 05	1	1.86
Boutique Collective Investment - Visio BCI Actinio Fund A - Apr 04	3	0.95
OLD MUTUAL ASSET MANAGEMENT PLC. - Held by 2/5		Portfolio % - 3.72%
PSG Collective Investments Ltd - Flexible A - Nov 98	1	2.99
Boutique Collective Investment - Centaur BCI Flexible Fund - Dec 04	5	0.73
OLD MUTUAL PLC - Held by 4/5		Portfolio % - 2.87%
Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	3	0.57
PSG Collective Investments Ltd - Flexible A - Nov 98	8	0.46
MET Collective Investments Ltd - 36ONE MET Flexible Opportunity A - Sep 05	6	0.60
Boutique Collective Investment - Visio BCI Actinio Fund A - Apr 04	1	1.25
BRITISH AMERICAN TOBACCO - Held by 4/5		Portfolio % - 2.67%
Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	5	0.50
MET Collective Investments Ltd - 36ONE MET Flexible Opportunity A - Sep 05	3	0.78
Boutique Collective Investment - Visio BCI Actinio Fund A - Apr 04	7	0.68
Boutique Collective Investment - Centaur BCI Flexible Fund - Dec 04	6	0.72
STEINHOFF INTERNATIONAL HLDGS - Held by 3/5		Portfolio % - 2.15%
Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	4	0.56
MET Collective Investments Ltd - 36ONE MET Flexible Opportunity A - Sep 05	2	0.80
Boutique Collective Investment - Visio BCI Actinio Fund A - Apr 04	5	0.79
RAND MERCHANT INSURANCE HLDGS LTD - Held by 1/5		Portfolio % - 1.71%
Boutique Collective Investment - Centaur BCI Flexible Fund - Dec 04	1	1.71
MONDI PLC - Held by 3/5		Portfolio % - 1.49%
Old Mutual UT Managers(RF)(Pty - Flexible R - Aug 96	10	0.42

Quick Stats					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
ISIN Code	ZAE000025029	ZAE000019808	ZAE000042172	ZAE000020210	ZAE000020780
Sector	South African Multi Asset High Equity	South African Multi Asset High Equity	South African Multi Asset High Equity	South African Multi Asset High Equity	South African Multi Asset High Equity
Domicile	South Africa	South Africa	South Africa	South Africa	South Africa
Fund Size	R111424.2M	R86014.9M	R48293.7M	R38616.6M	R16462.8M
FE Crown Fund Rating	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Yield	1.9124	1.7225	1.927	1.9788	2.3839
Launch Date	01/10/1999	15/04/1996	31/08/2002	30/04/1997	01/03/1994

Pricing Information					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
Mid Price/NAV	R95.3166	R99.2109	R54.4826	R10.5015	R15.1347
Bid Price					
Offer Price					
Price Date	03/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015

Purchase Information					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
Min. Investment	R20000	R5000	R50000	R10000	R10000
Min. Top-up					
Standard Initial Charge	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Management Charge	1.14%	1.43%	1.14%	1.14%	1.14%
Total Expense Ratio	1.42% as at 30/09/2015	1.61% as at 30/06/2015	1.76% as at 30/09/2015	1.33% as at 30/06/2015	1.33% as at 30/06/2015
Ongoing Charge					

5 Years Performance Chart To Last Month End



29/10/2010 - 30/10/2015 Powered by data from FE

Cumulative Performance To Last Month End					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
3 Months Performance	5.57	3.02	3.16	6.13	2.55
6 Months Performance	4.19	1.12	3.10	7.66	1.40
1 Year Performance	11.59	11.34	11.68	15.69	13.06
3 Years Performance	51.69	56.26	50.23	47.09	50.28
5 Years Performance	95.03	99.56	99.90	95.93	89.83

Discrete Performance To Last Month End					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
0-12m	11.59	11.34	11.68	15.69	13.06
12-24m	10.95	11.69	9.18	8.49	9.59
24-36m	22.52	25.66	23.21	17.19	21.29
36-48m	12.20	17.11	18.88	16.76	15.20
48-60m	14.59	9.05	11.93	14.09	9.65
Performance By Calendar Year					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
YTD Return	11.45	9.31	9.55	13.51	10.03
2014	8.99	10.92	10.07	9.00	10.78
2013	23.72	25.60	22.01	15.12	20.03
2012	13.34	20.07	21.91	19.34	18.12
2011	11.85	6.77	9.41	11.40	6.83
1 Year Annualised Statistical Data To Last Month End					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
Volatility	7.26	7.39	6.25	6.79	7.11
Alpha	-0.36	-1.59	0.95	5.34	0.41
Beta	1.07	1.16	0.95	0.89	1.12
r ²	0.85	0.97	0.90	0.67	0.97
Sharpe	1.11	1.06	1.31	1.80	1.34
Sector Weightings					
Name	Allan Gray - Allan Gray Balanced A as at 30/06/2015	Coronation - Coronation Balanced Plus A as at 30/06/2015	Foord - Foord Balanced R as at 30/06/2015	Investec - Investec Opportunity R as at 30/06/2015	Old Mutual - Old Mutual Balanced R as at 30/09/2015
Basic Materials	10.61	4.61	4.59	4.36	5.40
Cash & Cash Equivalents	6.07				11.61
Consumer Products	13.24	5.53	12.81	19.58	5.44
Derivatives				-5.42	
Equities	0.26	0.27			5.09
Financials	13.24	17.01	9.71	8.98	15.88
Government Bonds	13.59	17.57		18.09	
Health Care	1.61		4.79	4.50	
Industrials	5.52	8.93	2.94	0.77	9.58
Money Market	1.22	10.34	30.32	15.18	
Oil & Gas			2.73		
Other Financial				0.06	
Others	32.02	30.27	28.81	33.08	20.04
Services	1.83	3.78	3.11	0.82	4.61
Telecom, Media & Technology	0.79	1.69	0.19		1.36
UK Fixed Interest					20.99
Region Weightings					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
Undisclosed	100.00	100.00	100.00	100.00	100.00
Asset Weightings					
Name	Allan Gray - Allan Gray Balanced A as at 30/06/2015	Coronation - Coronation Balanced Plus A as at 30/09/2015	Foord - Foord Balanced R as at 30/06/2015	Investec - Investec Opportunity R as at 30/09/2015	Old Mutual - Old Mutual Balanced R as at 30/09/2015
Global Fixed Interest	1.21	0.48	0.37	0.61	
International Equities	23.57	24.80	20.80	27.53	24.27
Money Market	11.05	3.49	23.55	15.43	11.85
Property	1.77	12.77	2.45	2.86	3.70
South African Equities	50.76	44.12	41.55	35.83	39.18

Asset Weightings					
South African Fixed Interest	11.64	14.34	11.28	17.74	21.00
3 Years Correlation Table To Last Month End					
Name	Allan Gray - Allan Gray Balanced A	Coronation - Coronation Balanced Plus A	Foord - Foord Balanced R	Investec - Investec Opportunity R	Old Mutual - Old Mutual Balanced R
Allan Gray - Allan Gray Balanced A		0.93	0.89	0.88	0.90
Coronation - Coronation Balanced Plus A	0.93		0.91	0.83	0.96
Foord - Foord Balanced R	0.89	0.91		0.86	0.94
Investec - Investec Opportunity R	0.88	0.83	0.86		0.86
Old Mutual - Old Mutual Balanced R	0.90	0.96	0.94	0.86	

Positive Correlation
 Low Correlation
 Negative Correlation

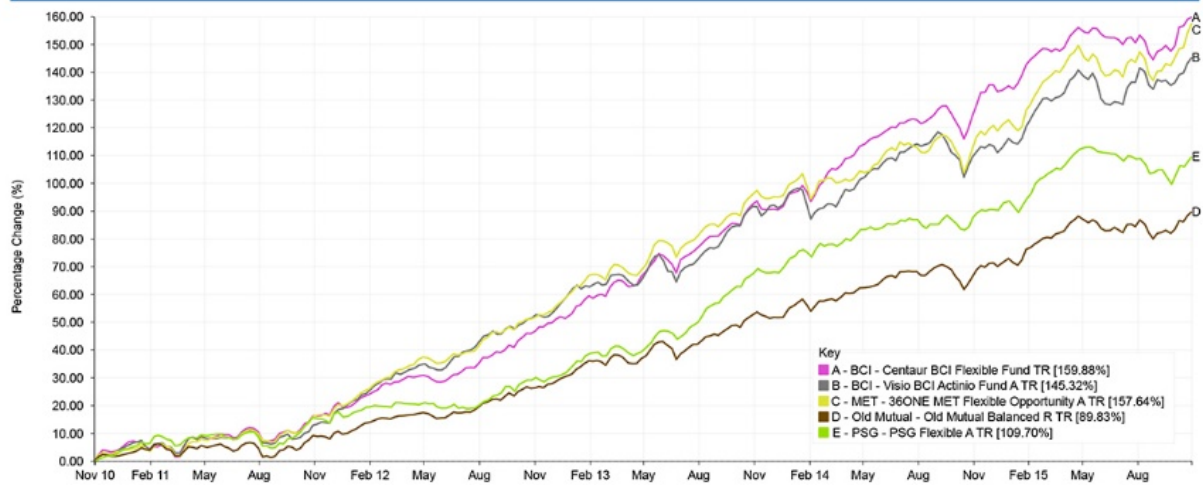
Correlation measures how closely two assets relate to one another, in terms of direction and magnitude of price movement.

Quick Stats					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
ISIN Code	ZAE000060075	ZAE000054011	ZAE000069571	ZAE000020780	ZAE000020939
Sector	South African Multi Asset Flexible	South African Multi Asset Flexible	South African Multi Asset Flexible	South African Multi Asset High Equity	South African Multi Asset Flexible
Domicile	South Africa	South Africa	South Africa	South Africa	South Africa
Fund Size	R1387.8M	R1294.7M	R2319.6M	R16462.8M	R7427.0M
FE Crown Fund Rating	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Yield	1.098	0.00	0.00	2.3839	1.9151
Launch Date	01/12/2004	01/04/2004	05/09/2005	01/03/1994	02/11/1998

Pricing Information					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
Mid Price/NAV	R5.8925	R7.706	R5.8469	R15.1347	R4.6368
Bid Price					
Offer Price					
Price Date	03/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015

Purchase Information					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
Min. Investment	R100000	R10000	R5000	R10000	R2000
Min. Top-up		R500			R250
Standard Initial Charge	0.00%	0.00%	0.00%	0.00%	2.28%
Annual Management Charge	1.43%	1.43%	1.51%	1.14%	1.14%
Total Expense Ratio	0.55% as at 30/09/2015	3.20% as at 30/06/2015	3.49% as at 30/06/2015	1.33% as at 30/06/2015	2.22% as at 30/09/2015
Ongoing Charge					

5 Years Performance Chart To Last Month End



29/10/2010 - 30/10/2015 Powered by data from FE

Cumulative Performance To Last Month End					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
3 Months Performance	3.64	2.90	5.01	2.55	0.60
6 Months Performance	2.01	2.05	4.63	1.40	-1.27
1 Year Performance	14.54	15.51	19.44	13.06	11.35
3 Years Performance	77.09	61.25	69.97	50.28	61.36
5 Years Performance	159.88	145.32	157.64	89.83	109.70

Discrete Performance To Last Month End					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
0-12m	14.54	15.51	19.44	13.06	11.35
12-24m	17.34	10.27	9.52	9.59	12.42
24-36m	31.76	26.59	29.94	21.29	28.90
36-48m	26.14	34.38	30.28	15.20	12.27
48-60m	16.33	13.22	16.35	9.65	15.75

Performance By Calendar Year					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
YTD Return	11.06	13.50	15.77	10.03	8.41
2014	19.16	9.46	10.41	10.78	12.12
2013	30.41	24.33	26.58	20.03	31.55
2012	26.89	32.20	31.80	18.12	13.70
2011	11.15	13.44	15.99	6.83	10.48

1 Year Annualised Statistical Data To Last Month End					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
Volatility	8.32	9.27	8.67	7.11	8.25
Alpha	2.17	2.22	5.38	0.41	0.28
Beta	1.11	1.19	1.22	1.12	1.01
r ²	0.80	0.74	0.89	0.97	0.68
Sharpe	1.33	1.30	1.84	1.34	0.95

Sector Weightings					
Name	BCI - Centaur BCI Flexible Fund as at 30/09/2015	BCI - Visio BCI Actinio Fund A as at 30/09/2015	MET - 36ONE MET Flexible Opportunity A as at 30/09/2015	Old Mutual - Old Mutual Balanced R as at 30/09/2015	PSG - PSG Flexible A as at 30/09/2015
Basic Materials	7.43	6.69	6.78	5.40	7.10
Cash & Cash Equivalents				11.61	-0.73
Consumer Products	5.97	10.85	14.05	5.44	1.87
Equities		3.09	0.77	5.09	
Financials	18.44	17.25	26.04	15.88	11.12
Fixed Interest	20.49				
Health Care	1.86	5.66	2.26		
Industrials	8.42	15.56	5.89	9.58	14.92
Money Market	2.72	4.42	1.68		37.66
Others	20.43	15.68	24.12	20.04	25.84
Services	6.83	18.72	12.02	4.61	1.17
Telecom, Media & Technology		2.08	6.39	1.36	1.05
UK Fixed Interest	7.41			20.99	

Region Weightings					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
Undisclosed	100.00	100.00	100.00	100.00	100.00

Asset Weightings					
Name	BCI - Centaur BCI Flexible Fund as at 30/09/2015	BCI - Visio BCI Actinio Fund A as at 30/09/2015	MET - 36ONE MET Flexible Opportunity A as at 30/09/2015	Old Mutual - Old Mutual Balanced R as at 30/09/2015	PSG - PSG Flexible A as at 30/09/2015
Global Fixed Interest	0.37				
International Equities	19.65	5.75	15.98	24.27	24.41
Money Market	17.53	8.14	9.82	11.85	37.14
Property	3.21	7.58	6.14	3.70	1.26
South African Equities	46.41	78.53	68.06	39.18	37.19
South African Fixed Interest	12.83			21.00	

3 Years Correlation Table To Last Month End					
Name	BCI - Centaur BCI Flexible Fund	BCI - Visio BCI Actinio Fund A	MET - 36ONE MET Flexible Opportunity A	Old Mutual - Old Mutual Balanced R	PSG - PSG Flexible A
BCI - Centaur BCI Flexible Fund		0.72	0.81	0.87	0.73
BCI - Visio BCI Actinio Fund A	0.72		0.86	0.81	0.66
MET - 36ONE MET Flexible Opportunity A	0.81	0.86		0.91	0.77
Old Mutual - Old Mutual Balanced R	0.87	0.81	0.91		0.88
PSG - PSG Flexible A	0.73	0.66	0.77	0.88	

Positive Correlation
 Low Correlation
 Negative Correlation

Correlation measures how closely two assets relate to one another, in terms of direction and magnitude of price movement.

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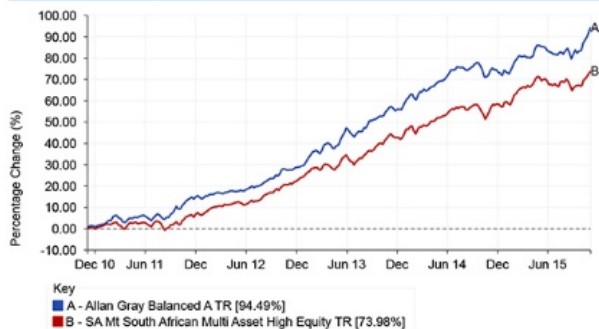
Quick Stats					
Citi Code	AVJ4	FE Crown Rating		Price Date	03/11/2015
ISIN Code	ZAE000025029	Mstar Analyst Rating	Bronze	Mid Price	R95.3166 (R+0.4834)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset High Equity	YTD Return	11.45%	Offer Price	
Benchmark	Daily avg retm whgtd by mkt value of fds in both Dom Asset Alloc Pru Med & Pru Var Eq Ex AGB Fd	Yield	1.91%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	01/10/1999
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R111,424.2M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Andrew Lapping

Fund Objective

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk.

Purchase & Other Information

Min. Investment	R20000
Min. Top-up	
Standard Initial Charge	0.00%
AMC	1.14%
Total Expense Ratio	1.42% as at 30/09/2015
Compliant	Compliant to Prudential guidelines
Dividend Date	Jun 30, Dec 31
For Sale In	South Africa

Performance Chart in (ZAR)


04/11/2010 - 03/11/2015 Powered by data from FE

Cumulative Performance (ZAR)

Period	Fund	Sector	Rank in Sectors
6 Months	4.63%	1.73%	14 / 142
1 Year	11.59%	10.75%	55 / 128
3 Years	52.14%	43.49%	30 / 97
5 Years	94.55%	73.96%	20 / 75

Discrete Annual Performance to Last Quarter End (ZAR)

Period	Fund	Sector	Rank in Sectors
0 to 12 m	3.74%	6.35%	109 / 127
24m to 36m	22.72%	19.04%	28 / 96
48m to 60m	10.40%	4.78%	3 / 75

Top 5 Holdings as at 30/06/2015

Rank	Change	Name	%
1	►	ORBIS OPTIMAL USD	8.18
2	▲	BRITISH AMERICAN TOBACCO	6.60
3	▼	ORBIS INVESTMENT MANAGEMENT	6.51
4	►	SASOL	5.92
5	■	ORBIS SICAV GLOBAL BALANCED SA FUND	5.23

Top 5 Regions

Sorry, this data is not yet available for this fund.

Top 5 Sectors as at 30/06/2015

Rank	Change	Name	%
1	►	OTHERS	32.02
2	▲	GOVERNMENT BONDS	13.59
3	►	CONSUMER PRODUCTS	13.24
4	▼	FINANCIALS	13.24
5	►	BASIC MATERIALS	10.61

Top 5 Asset Classes as at 30/06/2015

Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	50.76
2	►	INTERNATIONAL EQUITIES	23.57
3	▲	SOUTH AFRICAN FIXED INTEREST	11.64
4	▼	MONEY MARKET	11.05
5	►	PROPERTY	1.77

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Quick Stats					
Citi Code	QJ66	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000019808	Mstar Analyst Rating		Mid Price	R99.2109 (R+0.5569)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset High Equity	YTD Return	9.31%	Offer Price	
Benchmark	Composite	Yield	1.72%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	15/04/1996
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R86,014.9M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Karl Leinberger

Fund Objective	Purchase & Other Information
A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.	Min. Investment R5000
	Min. Top-up
	Standard Initial Charge 0.00%
	AMC 1.43%
	Total Expense Ratio 1.61% as at 30/06/2015
	Compliant Compliant to Prudential guidelines
	Dividend Date Mar 31, Sep 30
	For Sale In South Africa



Top 5 Holdings as at 30/06/2015				Top 5 Sectors as at 30/06/2015			
Rank	Change	Name	%	Rank	Change	Name	%
1	►	CORONATION GLOBAL OPPORTUNITIES EQUITY A	18.81	1	►	OTHERS	30.27
2	►	CORONATION GLOBAL EMERGING MARKETS A	4.94	2	►	GOVERNMENT BONDS	17.57
3	▲	CAPITAL & COUNTIES PROPERTIES PLC	2.80	3	►	FINANCIALS	17.01
4	►	INTU PROPERTIES PLC	2.75	4	►	MONEY MARKET	10.34
5	▼	NASPERS	2.68	5	►	INDUSTRIALS	8.93

Top 5 Regions				Top 5 Asset Classes as at 30/09/2015			
Sorry, this data is not yet available for this fund.				Rank	Change	Name	%
				1	►	SOUTH AFRICAN EQUITIES	44.12
				2	►	INTERNATIONAL EQUITIES	24.80
				3	►	SOUTH AFRICAN FIXED INTEREST	14.34
				4	►	PROPERTY	12.77
				5	►	MONEY MARKET	3.49

Quick Stats					
Citi Code	B0W1	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000042172	Mstar Analyst Rating		Mid Price	R54.4826 (R+0.3635)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset High Equity	YTD Return	9.55%	Offer Price	
Benchmark	Mkt val wtd avg return of the Dom-Asset Allo-Prudential Variable Eq sector, excl Foord Balanced Fd	Yield	1.93%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	31/08/2002
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R48,293.7M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Dane Schrauwen

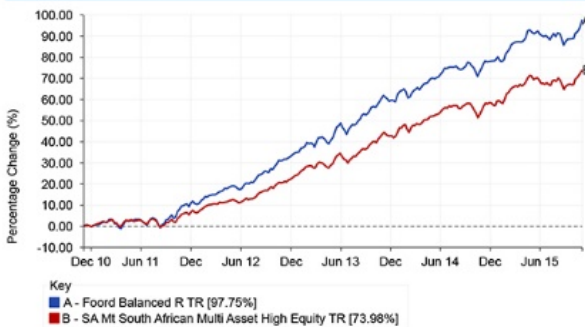
Fund Objective

The steady growth of income and capital as well as the preservation of real capital (capital as adjusted for inflation), all while exceeding the average return of the South African - Multi Asset - High Equity unit trust sector, excluding Foord Balanced Fund. The portfolio complies with the statutory investment limits set for retirement funds in South Africa.

Purchase & Other Information

Min. Investment	R50000
Min. Top-up	
Standard Initial Charge	0.00%
AMC	1.14%
Total Expense Ratio	1.76% as at 30/09/2015
Compliant	Compliant to Prudential guidelines
Dividend Date	Feb 28, Aug 31
For Sale In	South Africa

Performance Chart in (ZAR)



04/11/2010 - 03/11/2015 Powered by data from FE

Top 5 Holdings

Sorry, this data is not yet available for this fund.

Top 5 Regions

Sorry, this data is not yet available for this fund.

Cumulative Performance (ZAR)

Period	Fund	Sector	Rank in Sectors
6 Months	3.52%	1.73%	25 / 142
1 Year	11.88%	10.75%	49 / 128
3 Years	50.30%	43.49%	36 / 97
5 Years	98.71%	73.96%	15 / 75

Discrete Annual Performance to Last Quarter End (ZAR)

Period	Fund	Sector	Rank in Sectors
0 to 12 m	6.59%	6.35%	67 / 127
24m to 36m	23.79%	19.04%	22 / 96
48m to 60m	8.43%	4.78%	8 / 75

Top 5 Sectors as at 30/06/2015

Rank	Change	Name	%
1	▲	MONEY MARKET	30.32
2	▼	OTHERS	28.81
3	►	CONSUMER PRODUCTS	12.81
4	►	FINANCIALS	9.71
5	▲	HEALTH CARE	4.79

Top 5 Asset Classes as at 30/06/2015

Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	41.55
2	▲	MONEY MARKET	23.55
3	▼	INTERNATIONAL EQUITIES	20.80
4	►	SOUTH AFRICAN FIXED INTEREST	11.28
5	►	PROPERTY	2.45

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Quick Stats					
Citi Code	B2R4	FE Crown Rating		Price Date	03/11/2015
ISIN Code	ZAE000020210	Mstar Analyst Rating	Neutral	Mid Price	R10.5015 (R+0.0295)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset High Equity	YTD Return	13.51%	Offer Price	
Benchmark	No Specified Index	Yield	1.98%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	30/04/1997
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R38,616.6M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Clyde Rossouw

Fund Objective

The Investec Opportunity Fund aims to produce dependable inflation-beating returns, while minimising downside risk. The objective is to achieve returns well in excess of inflation measured over three to five year periods. The fund invests in a mix of South African equities, bonds and money market instruments, as well as international equity and fixed interest investments. Equity exposure is currently limited to 75% and the international exposure to 25%. The allocation of assets is actively managed with a bias towards equities that are attractively priced given their inherent value. Fund features *Strong focus on capital preservation and absolute returns through active asset allocation and stock selection decisions. *Emphasis on companies with consistent real dividend and earnings growth. *Lower volatility than traditional balanced funds.

Purchase & Other Information	
Min. Investment	R10000
Min. Top-up	
Standard Initial Charge	0.00%
AMC	1.14% - Max
Total Expense Ratio	1.33% as at 30/06/2015
Compliant	Compliant to Prudential guidelines
Dividend Date	Mar 31, Sep 30
For Sale In	South Africa

Performance Chart in (ZAR)



04/11/2010 - 03/11/2015 Powered by data from FE

Top 5 Holdings as at 30/06/2015

Rank	Change	Name	%
1	▲	BRITISH AMERICAN TOBACCO	5.78
2	▲	STEINHOFF INTERNATIONAL HLDGS	4.83
3	▲	SASOL	2.83
4	▲	COMPAGNIE FINANCIERE RICHEMONT SA	2.74
5	▲	NEW GOLD ISSUER	2.58

Top 5 Regions

Sorry, this data is not yet available for this fund.

Top 5 Sectors as at 30/06/2015

Rank	Change	Name	%
1	►	OTHERS	33.08
2	►	CONSUMER PRODUCTS	19.58
3	▲	GOVERNMENT BONDS	18.09
4	▼	MONEY MARKET	15.18
5	►	FINANCIALS	8.98

Top 5 Asset Classes as at 30/09/2015

Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	35.83
2	►	INTERNATIONAL EQUITIES	27.53
3	►	SOUTH AFRICAN FIXED INTEREST	17.74
4	►	MONEY MARKET	15.43
5	►	PROPERTY	2.86

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Quick Stats					
Citi Code	B0Q2	FE Crown Rating		Price Date	03/11/2015
ISIN Code	ZAE000020780	Mstar Analyst Rating		Mid Price	R15.1347 (R+0.0575)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset High Equity	YTD Return	10.03%	Offer Price	
Benchmark	CPI Index	Yield	2.38%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	01/03/1994
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R16,462.8M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Graham Tucker

Fund Objective

This fund aims to achieve long-term inflation-beating growth. The fund has a growth asset bias and will invest more heavily in shares. The portfolio manager actively allocates to other asset classes to take advantage of changing market conditions and to manage the fund's volatility. This fund is suitable for investors wanting moderate to high long-term growth, with less volatility in the short term than pure equity. It is suitable as a standalone retirement investment. The fund is exposed to all sectors of the market (shares, bonds & property) and may invest up to 25% of its portfolio offshore in line with Treasury guidelines. Derivatives may be used for risk management purposes. The fund complies with retirement fund legislation. It is therefore suitable as a stand-alone fund in retirement products where Regulation 28 compliance is specifically required.

Purchase & Other Information	
Min. Investment	R10000
Min. Top-up	
Standard Initial Charge	0.00%
AMC	1.14%
Total Expense Ratio	1.33% as at 30/06/2015
Compliant	Compliant to Prudential guidelines
Dividend Date	Jun 30, Dec 31
For Sale In	South Africa

Performance Chart in (ZAR)



Cumulative Performance (ZAR)			
Period	Fund	Sector	Rank in Sectors
6 Months	1.65%	1.73%	75 / 142
1 Year	12.77%	10.75%	36 / 128
3 Years	49.77%	43.49%	39 / 97
5 Years	87.85%	73.96%	28 / 75

Discrete Annual Performance to Last Quarter End (ZAR)			
Period	Fund	Sector	Rank in Sectors
0 to 12 m	7.34%	6.35%	52 / 127
24m to 36m	21.01%	19.04%	40 / 96
48m to 60m	5.53%	4.78%	26 / 75

Top 5 Holdings as at 30/09/2015

Rank	Change	Name	%
1	►	NASPERS	4.62
2	►	OLD MUTUAL UNIT TRUST MANAGERS OLD MUTUAL GLOBAL EQUITY	4.53
3	▲	STEINHOFF INTERNATIONAL HLDGS	2.37
4	▲	STANDARD BANK GROUP	2.19
5	▲	BRITISH AMERICAN TOBACCO	2.05

Top 5 Sectors as at 30/09/2015

Rank	Change	Name	%
1	■	UK FIXED INTEREST	20.99
2	▼	OTHERS	20.04
3	►	FINANCIALS	15.88
4	►	CASH & CASH EQUIVALENTS	11.61
5	►	INDUSTRIALS	9.58

Top 5 Regions

Sorry, this data is not yet available for this fund.

Top 5 Asset Classes as at 30/09/2015

Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	39.18
2	►	INTERNATIONAL EQUITIES	24.27
3	►	SOUTH AFRICAN FIXED INTEREST	21.00
4	►	MONEY MARKET	11.85
5	►	PROPERTY	3.70

Quick Stats					
Citi Code	B2F3	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000060075	Mstar Analyst Rating		Mid Price	R5.8925 (R+0.0322)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset Flexible	YTD Return	11.06%	Offer Price	
Benchmark	(%)	Yield	1.10%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	01/12/2004
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R1,387.8M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Roger Williams

Fund Objective	Purchase & Other Information																
The core of our investment methodology is to weigh up the risk and rewards inherent in the current share price of a listed company. By identifying the share valuations that exhibit the best risk reward characteristics we can construct a portfolio that will outperform the market. Our investment methodology has been distilled into a number of proprietary valuation models. These models enable us to rapidly value shares and give us the conviction to make investments when the risk reward ratio is at its most favourable. The portfolio aims to achieve high capital growth and a reasonable level of income for investors. This portfolio is ideal for an investor who wishes to gain exposure to a manager who has achieved superior historic returns through independent investment strategies.	<table> <tr><td>Min. Investment</td><td>R100000</td></tr> <tr><td>Min. Top-up</td><td></td></tr> <tr><td>Standard Initial Charge</td><td>0.00%</td></tr> <tr><td>AMC</td><td>1.43%</td></tr> <tr><td>Total Expense Ratio</td><td>0.55% as at 30/09/2015</td></tr> <tr><td>Compliant</td><td></td></tr> <tr><td>Dividend Date</td><td>Jun 30, Dec 31</td></tr> <tr><td>For Sale In</td><td>South Africa</td></tr> </table>	Min. Investment	R100000	Min. Top-up		Standard Initial Charge	0.00%	AMC	1.43%	Total Expense Ratio	0.55% as at 30/09/2015	Compliant		Dividend Date	Jun 30, Dec 31	For Sale In	South Africa
Min. Investment	R100000																
Min. Top-up																	
Standard Initial Charge	0.00%																
AMC	1.43%																
Total Expense Ratio	0.55% as at 30/09/2015																
Compliant																	
Dividend Date	Jun 30, Dec 31																
For Sale In	South Africa																



Top 5 Holdings as at 30/09/2015			
Rank	Change	Name	%
1	►	RAND MERCHANT INSURANCE HLDGS LTD	8.53
2	▲	CORONATION STRATEGIC INCOME - B4	5.86
3	▲	BIDVEST GROUP	4.60
4	■	LEWIS GROUP	4.13
5	▼	OLD MUTUAL ASSET MANAGEMENT PLC.	3.64

Top 5 Sectors as at 30/09/2015			
Rank	Change	Name	%
1	▲	FIXED INTEREST	20.49
2	▲	OTHERS	20.43
3	▼	FINANCIALS	18.44
4	▲	INDUSTRIALS	8.42
5	▲	BASIC MATERIALS	7.43

Top 5 Regions			
Sorry, this data is not yet available for this fund.			

Top 5 Asset Classes as at 30/09/2015			
Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	46.41
2	►	INTERNATIONAL EQUITIES	19.65
3	►	MONEY MARKET	17.53
4	►	SOUTH AFRICAN FIXED INTEREST	12.83
5	►	PROPERTY	3.21

Quick Stats					
Citi Code	B2E8	FE Crown Rating		Price Date	03/11/2015
ISIN Code	ZAE000054011	Mstar Analyst Rating		Mid Price	R7.706 (R+0.0064)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset Flexible	YTD Return	13.50%	Offer Price	
Benchmark	STEFI Plus 2%	Yield	0.00%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	01/04/2004
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R1,294.7M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Uys Meyer

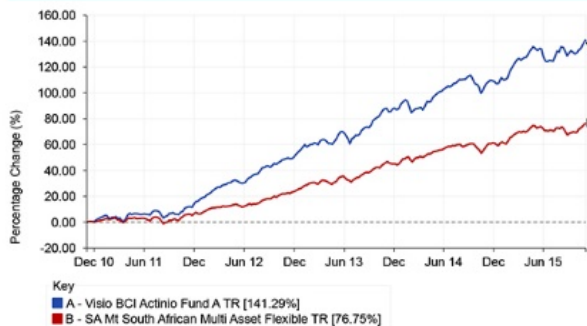
Fund Objective

The fund is aimed at achieving positive returns over rolling one-year periods. The fund's main asset classes are equity and cash. The objective is to achieve superior long-term risk adjusted returns. This objective will be achieved through stock selection based on in-depth research and analysis of company and sector fundamentals. The stock selection is aimed towards shares with low investment risk.

Purchase & Other Information

Min. Investment	R10000
Min. Top-up	R500
Standard Initial Charge	0.00%
AMC	1.43%
Total Expense Ratio	3.20% as at 30/06/2015
Compliant	
Dividend Date	Jun 30, Dec 31
For Sale In	South Africa

Performance Chart in (ZAR)



04/11/2010 - 03/11/2015 Powered by data from FE

Top 5 Holdings as at 30/09/2015

Rank	Change	Name	%
1	►	OLD MUTUAL PLC	6.26
2	►	REDEFINE INTERNATIONAL PLC ORD 8P	6.22
3	►	NASPERS	4.74
4	■	SPIRE HEALTHCARE GROUP PLC	4.06
5	►	STEINHOFF INTERNATIONAL HLDGS	3.93

Top 5 Regions

Sorry, this data is not yet available for this fund.

Cumulative Performance (ZAR)

Period	Fund	Sector	Rank in Sectors
6 Months	2.41%	1.40%	23 / 72
1 Year	15.87%	10.61%	16 / 69
3 Years	60.77%	44.07%	12 / 56
5 Years	141.97%	76.74%	5 / 49

Discrete Annual Performance to Last Quarter End (ZAR)

Period	Fund	Sector	Rank in Sectors
0 to 12 m	11.22%	6.57%	17 / 69
24m to 36m	25.04%	19.79%	19 / 56
48m to 60m	11.88%	4.51%	4 / 49

Top 5 Sectors as at 30/09/2015

Rank	Change	Name	%
1	►	SERVICES	18.72
2	►	FINANCIALS	17.25
3	▲	OTHERS	15.68
4	▼	INDUSTRIALS	15.56
5	▲	CONSUMER PRODUCTS	10.85

Top 5 Asset Classes as at 30/09/2015

Rank	Change	Name	%
1	►	SOUTH AFRICAN EQUITIES	78.53
2	▲	MONEY MARKET	8.14
3	▼	PROPERTY	7.58
4	▼	INTERNATIONAL EQUITIES	5.75

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Quick Stats					
Citi Code	B2D1	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000089571	Mstar Analyst Rating		Mid Price	R5.8469 (R+0.0148)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset Flexible	YTD Return	15.77%	Offer Price	
Benchmark	Repo rate plus 2%	Yield	0.00%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	05/09/2005
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R2,319.6M as at 30/10/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Cy Jacobs

Fund Objective		Purchase & Other Information	
PORTFOLIO OBJECTIVE The primary objective is to provide investors with significant medium to long term capital growth. INVESTMENT STRATEGY The fund invests in local listed companies and primarily follows a bottom up stock picking approach. Strong companies undervalued by the market are preferred for the core holdings with a diverse spread across small and large cap companies and a slightly greater concentration on the mid cap sector. To maximise fund value active trading takes place around peripheral holdings in order to take advantage of short-term market variations. From a top down perspective sector mixes are optimised based on macroeconomic fundamentals and hence the sector focus shifts as necessary.		Min. Investment R5000 Min. Top-up Standard Initial Charge 0.00% AMC 1.51% Total Expense Ratio 3.49% as at 30/06/2015 Compliant Dividend Date Jun 30, Dec 31 For Sale In South Africa	



Top 5 Holdings as at 30/09/2015				Top 5 Sectors as at 30/09/2015			
Rank	Change	Name	%	Rank	Change	Name	%
1	►	NASPERS	9.28	1	►	FINANCIALS	26.04
2	►	STEINHOFF INTERNATIONAL HLDGS	4.02	2	►	OTHERS	24.12
3	▲	BRITISH AMERICAN TOBACCO	3.89	3	►	CONSUMER PRODUCTS	14.05
4	▲	SABMILLER	3.49	4	►	SERVICES	12.02
5	▼	FIRSTRAND	3.10	5	▲	BASIC MATERIALS	6.78

Top 5 Regions				Top 5 Asset Classes as at 30/09/2015			
Sorry, this data is not yet available for this fund.				Rank	Change	Name	%
				1	►	SOUTH AFRICAN EQUITIES	68.06
				2	►	INTERNATIONAL EQUITIES	15.98
				3	►	MONEY MARKET	9.82
				4	►	PROPERTY	6.14

Quick Stats					
Citi Code	B0R7	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000020681	Mstar Analyst Rating		Mid Price	R15.6852 (R+0.0752)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset Flexible	YTD Return	12.71%	Offer Price	
Benchmark	CPI Index	Yield	1.70%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	20/08/1996
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R4,417.8M as at 02/11/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Mr. Peter Brooke

Fund Objective	Purchase & Other Information																
The fund aims to deliver long-term equity-like returns, but at lower levels of volatility than equity. The fund will predominantly invest in shares, but the portfolio manager can invest in less risky asset classes when they offer better value. This fund is suited to investors who want high long-term capital growth, but also want some protection against short-term fluctuations of the equity market. The fund is suitable for long-term savings outside a retirement fund.	<table> <tr><td>Min. Investment</td><td>R10000</td></tr> <tr><td>Min. Top-up</td><td></td></tr> <tr><td>Standard Initial Charge</td><td>0.00%</td></tr> <tr><td>AMC</td><td>1.14%</td></tr> <tr><td>Total Expense Ratio</td><td>1.31% as at 30/06/2015</td></tr> <tr><td>Compliant</td><td></td></tr> <tr><td>Dividend Date</td><td>Jun 30, Dec 31</td></tr> <tr><td>For Sale In</td><td>South Africa</td></tr> </table>	Min. Investment	R10000	Min. Top-up		Standard Initial Charge	0.00%	AMC	1.14%	Total Expense Ratio	1.31% as at 30/06/2015	Compliant		Dividend Date	Jun 30, Dec 31	For Sale In	South Africa
Min. Investment	R10000																
Min. Top-up																	
Standard Initial Charge	0.00%																
AMC	1.14%																
Total Expense Ratio	1.31% as at 30/06/2015																
Compliant																	
Dividend Date	Jun 30, Dec 31																
For Sale In	South Africa																



Top 5 Holdings as at 30/09/2015				Top 5 Sectors as at 30/09/2015			
Rank	Change	Name	%	Rank	Change	Name	%
1	►	NASPERS	5.05	1	►	OTHERS	24.43
2	■	STANDARD BANK GROUP	2.96	2	►	FINANCIALS	21.90
3	▼	OLD MUTUAL PLC	2.83	3	■	UK FIXED INTEREST	14.24
4	►	STEINHOFF INTERNATIONAL HLDGS	2.78	4	▲	CONSUMER PRODUCTS	8.77
5	■	BRITISH AMERICAN TOBACCO	2.50	5	▲	BASIC MATERIALS	7.47

Top 5 Regions				Top 5 Asset Classes as at 30/09/2015			
Sorry, this data is not yet available for this fund.				Rank	Change	Name	%
				1	►	SOUTH AFRICAN EQUITIES	50.34
				2	►	INTERNATIONAL EQUITIES	24.08
				3	▲	SOUTH AFRICAN FIXED INTEREST	14.24
				4	▲	PROPERTY	6.40
				5	▼	MONEY MARKET	4.94

Quick Stats					
Citi Code	B1N1	FE Crown Rating	★★★★★	Price Date	03/11/2015
ISIN Code	ZAE000020939	Mstar Analyst Rating		Mid Price	R4.6368 (R+0.0452)
SEDOL Code		S&P Capital IQ Grading		Bid Price	
Sector	South African Multi Asset Flexible	YTD Return	8.41%	Offer Price	
Benchmark	Inflation plus 6%	Yield	1.92%	Pricing Frequency	Daily
Domicile	South Africa	Type	Distributing	Launch Date	02/11/1998
Legal Structure	Unit Trust	Factsheet Frequency	4 per year	ISA	
Fund Size	R7,427M as at 30/09/2015	Fund Currency	ZAR (South African Rand)	Manager Name	Jan Mouton

Fund Objective	Purchase & Other Information																
The PSG Flexible Fund is a managed flexible portfolio and will seek to follow an investment policy which will aim to achieve superior medium- to long-term capital growth through exposure to selected sectors of the equity market, and/or the gilt market and/or the money market. The asset allocation will be actively managed and will continually reflect the portfolio manager's view of the relative attractiveness of the equity, gilt and money markets, both locally and abroad. The selected sectors of the equity portion of the portfolio will change from time to time in accordance with changing market conditions and economic trends. Nothing in this supplemental deed and the deed contained shall preclude the manager from varying the ratio of securities and assets in liquid form in terms of changing economic factors or market conditions and from retaining cash or placing cash on deposit in terms of the deed; provided that the manager shall ensure that the aggregate value of the assets comprising the portfolio consists of securities and assets in liquid form of the aggregate value required from time to time by the Act. The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes registered in the Republic of South Africa, or of participatory interest or any other form of participation in portfolios of collective investment schemes or similar schemes operated in territories other than South Africa with a regulatory environment which is to the satisfaction of the manager and the trustee of a sufficient standard to provide investor protection at least equivalent to that of South Africa and which is consistent with the portfolio's primary objective.	<table><tr><td>Min. Investment</td><td>R2000</td></tr><tr><td>Min. Top-up</td><td>R250</td></tr><tr><td>Standard Initial Charge</td><td>2.28%</td></tr><tr><td>AMC</td><td>1.14%</td></tr><tr><td>Total Expense Ratio</td><td>2.22% as at 30/09/2015</td></tr><tr><td>Compliant</td><td></td></tr><tr><td>Dividend Date</td><td>Feb 28, Aug 31</td></tr><tr><td>For Sale In</td><td>South Africa</td></tr></table>	Min. Investment	R2000	Min. Top-up	R250	Standard Initial Charge	2.28%	AMC	1.14%	Total Expense Ratio	2.22% as at 30/09/2015	Compliant		Dividend Date	Feb 28, Aug 31	For Sale In	South Africa
Min. Investment	R2000																
Min. Top-up	R250																
Standard Initial Charge	2.28%																
AMC	1.14%																
Total Expense Ratio	2.22% as at 30/09/2015																
Compliant																	
Dividend Date	Feb 28, Aug 31																
For Sale In	South Africa																



Top 5 Holdings as at 30/09/2015			
Rank	Change	Name	%
1	►	OLD MUTUAL ASSET MANAGEMENT PLC.	14.97
2	▲	CAPITEC BANK HLDGS	3.82
3	▼	ANGLO AMERICAN	3.01
4	■	IMPERIAL HOLDINGS	2.97
5	►	GLENORE PLC	2.68

Top 5 Sectors as at 30/09/2015			
Rank	Change	Name	%
1	►	MONEY MARKET	37.66
2	►	OTHERS	25.84
3	►	INDUSTRIALS	14.92
4	▲	FINANCIALS	11.12
5	▼	BASIC MATERIALS	7.10

Top 5 Regions			
Sorry, this data is not yet available for this fund.			

Top 5 Asset Classes as at 30/09/2015			
Rank	Change	Name	%
1	▲	SOUTH AFRICAN EQUITIES	37.19
2	▼	MONEY MARKET	37.14
3	►	INTERNATIONAL EQUITIES	24.41
4	■	PROPERTY	1.26